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Annual Securities Report

Fiscal year from April 1, 2023 to March 31, 2024 (152nd term)

SHOFU INC.

Annual Securities Report

(English translation of the "Yukashoken-Houkokusho")

- 1 This document is an output and printing of the securities report pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act, using the electronic data processing system for disclosure (EDINET) prescribed in Article 27-30-2 of the same Act, with a table of contents and page numbers attached to the submitted data.
2. In this document, the Audit Report attached to the Securities Report submitted by the above method and the Internal Control Report and Confirmation Letter submitted together with the above Securities Report are bound at the end.

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【Cover】	
【Document submitted】	Annual Securities Report ("Yukashoken-Houkokusho")
【Applicable law】	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
【Submitted to】	Director-General, Kanto Local Finance Bureau
【Submission date】	June 25, 2024
【Business year】	152nd term (April 1, 2023 to March 31, 2024)
【Company name】	Kabushiki-kaisha Shofu
【Company name (English)】	SHOFU INC.
【Name and title of representative】	Tetsuo Takami, Representative Director, President and Chief Operating Officer
【Location of head office】	11 Kamitakamatsu-cho, Fukuine Higashiyama-ku, Kyoto
【Phone】	(075) 561-1112 (Main)
【Administrative contact person】	Takashi Morimoto, General Manager of Finance Department
【Nearest contact】	11 Kamitakamatsu-cho, Fukuine Higashiyama-ku, Kyoto
【Phone】	(075) 561-1112 (Main)
【Contact person】	Takashi Morimoto, General Manager of Finance Department
【Place for public inspection】	SHOFU INC. Tokyo Branch (3-16-2 Yushima, Bunkyo-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)

Part I Information on the Company

1. Overview of the Company

1. Key financial data and trends

(1) Consolidated management indicators

Term		148th	149th	150th	151st	152nd
Year ended		March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024
Net sales	(million yen)	26,108	24,680	28,137	31,678	35,080
Ordinary profit	(million yen)	1,988	2,523	3,658	4,238	5,118
Net income attributable to owners of parent	(million yen)	704	1,674	2,546	3,135	3,655
Comprehensive income	(million yen)	(46)	3,618	3,366	3,584	7,157
Net assets	(million yen)	23,936	30,198	32,940	35,515	41,609
Total assets	(million yen)	29,834	37,813	40,709	43,727	50,093
Net assets per share	(yen)	1,491.81	1,690.45	1,841.55	1,996.64	2,336.04
Net income per share	(yen)	44.24	96.29	143.22	176.10	206.18
Diluted net income per share	(yen)	43.93	95.68	142.33	175.13	205.25
Equity ratio	(%)	79.7	79.4	80.5	80.8	82.7
Return on equity	(%)	2.9	6.2	8.1	9.2	9.5
Price-earnings ratio	(times)	39.8	20.6	10.9	11.5	14.2
Cash flows from operating activities	(million yen)	1,942	2,829	3,736	3,170	3,089
Cash flows from investing activities	(million yen)		(4,081)	(1,288)	(1,290)	(1,295)
Cash flows from financing activities	(million yen)	(224)	3,023	(1,074)	(1,457)	(2,096)
Cash and cash equivalents at end of year	(million yen)	4,218	6,305	8,208	8,830	9,024
Number of employees (Excluding: average number of temporary employees)	(persons)	1,189 (203)	1,206 (201)	1,266 (210)	1,299 (263)	1,369 (270)

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

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

(2) Non-consolidated management indicators

Term		148th	149th	150th	151st	152nd
Year ended		March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024
Net sales	(million yen)	17,373	15,623	17,653	19,329	21,273
Ordinary profit	(million yen)	1,518	1,168	2,174	3,233	4,226
Net income	(million yen)	1,183	988	1,693	2,881	3,506
Share capital	(million yen)	4,474	5,968	5,968	5,968	5,968
Total number of issued shares	(thousand shares)	16,114	17,894	17,894	17,894	17,894
Net assets	(million yen)	21,792	26,420	27,533	29,197	33,552
Total assets	(million yen)	26,274	32,237	33,255	36,012	40,667
Net assets per share	(yen)	1,359.43	1,480.95	1,541.23	1,643.88	1,886.58
Dividend per share (including interim dividend per share)	(yen)	26.00 (10.00)	29.00 (8.00)	39.00 (13.00)	57.00 (15.00)	62.00 (20.00)
Net income per share	(yen)	74.30	56.85	95.23	161.85	197.74
Diluted net income per share	(yen)	73.78	56.49	94.64	160.96	196.84
Equity ratio	(%)	82.5	81.6	82.4	80.8	82.3
Return on equity	(%)	5.5	4.1	6.3	10.2	11.2
Price-earnings ratio	(times)	23.7	34.9	16.4	12.5	14.9
Dividend payout ratio (%)	(%)	35.0	51.0	41.0	35.2	31.4
Number of employees (Excluding: average number of temporary employees)	(persons)	453 (107)	468 (105)	473 (117)	476 (124)	499 (135)
Total shareholder return (Comparative index: TOPIX including dividends)	(%)	139.7 (90.5)	159.4 (128.6)	129.4 (131.2)	170.4 (138.8)	246.4 (196.2)
Period high stock price	(yen)	2,073	2,083	2,485	2,659	3,010
Period low stock price	(yen)	1,181	1,306	1,523	1,429	1,975

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

2. The dividend of ¥ 39 per share for the 150th fiscal year includes a commemorative dividend of ¥ 2 per share for the 100th anniversary of the Company's founding. 3. The dividend of 57 Yen per share for the 151st term includes a commemorative dividend of 10 Yen for the 100th anniversary of the company's foundation.

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

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

2. History

Date	Event
May 1922	The first president, Kajo Shofu III, established SHOFU Dental Mfg Co., Ltd. (capitalized at 250,000 yen) at the present location and began manufacturing artificial teeth.
May 1936	SHOFU Research Institute was established at the present location.
July 1963	Registered shares as over-the-counter stock with the Osaka Prefecture Association of the Japan Securities Dealers Association.
January 1971	Established local subsidiary SHOFU Dental Corp. in California, US.
February 1972	At present location, spun-out trade division and established SHOFU Products Inc.
December 1973	Established Shiga SHOFU Inc. in Shigaraki-cho, Koga-gun, Shiga (present-day Shigaraki-cho, Koga-shi, Shiga) and transferred the production of artificial teeth (resin teeth).
May 1975	Acquired a stake in Taixing Co., Ltd. (name changed in 1985 to Taiwan SHOFU Co., Ltd.) in Taiwan and transferred part of the production of artificial teeth (synthetic resin teeth).
December 1978	SHOFU Dental GmbH was established near Dusseldorf, Germany.
April 1980	Established SHOFU Dental Co. (Singapore) Pte., Ltd. in Singapore.
April 1983	Company name changed to SHOFU INC..
April 1986	Absorbed SHOFU Products Inc..
March 1989	SHOFU Dental Co. (Singapore) Pte., Ltd. was liquidated.
November 1989	Listed on the Second Section of the Osaka Securities Exchange and the Kyoto Stock Exchange (merged with the Osaka Securities Exchange in March 2001).
June 1991	Acquired U.K. subsidiary Advanced Healthcare Ltd.
November 1992	Subsidiary company Rakuyosha Co., Ltd. was reorganized and established as Lifetech Research Co., Ltd. Tokyo
July 1993	Sales Office (currently Tokyo Branch) Building was built in Bunkyo-ku, Tokyo.
August 1996	Established subsidiary Promech Inc. in Kawaguchi-shi, Saitama.
March 1997	Construction of new laboratory at present location.
May 1997	Acquired additional shares of Shoken Inc. (name changed to SHOFU Products Kyoto Inc. in July 2014)
October 2000	Subsidiary Lifetech Research Co., Ltd. was merged into the Company.
April 2003	Established and registered local subsidiary Shanghai SHOFU Dental Supplies Co., Ltd. in Shanghai, China.
November 2004	Commenced operations at Chinese subsidiary Shanghai SHOFU Dental Supplies Co., Ltd..
February 2005	Shoken Inc. (renamed SHOFU Products Kyoto Inc. in July 2014) became a wholly-owned subsidiary through a stock swap.
March 2005	Affiliated company Taiwan SHOFU Co., Ltd. dissolved.
August 2005	SHOFU Dental Instruments (Shanghai) Co., Ltd. is established in Shanghai, China.
August 2006	Construction of a new training center at present location.
February 2007	Listed on the Second Section of the Tokyo Stock Exchange.
February 2008	Acquired Nail Labo Corp. and made it a subsidiary.
June 2009	Delisting from the Second Section of the Osaka Securities Exchange.
July 2009	Established local subsidiary SHOFU Dental Trading (Shanghai) Co., Ltd. in Shanghai, China.
March 2012	Listed on the First Section of the Tokyo Stock Exchange.
March 2013	Dental-related operations of Promech Inc. absorbed into Shoken Inc. (renamed SHOFU Products Kyoto Inc. in July 2014).
March 2013	Promech Inc. merged into Nail Labo Corp.
April 2013	Established SHOFU Dental Asia-Pacific Pte. Ltd. in Singapore.
March 2014	SHOFU S-WAVE CAD/CAM Processing Center was newly constructed in Kumiya-cho, Kuse-gun, Kyoto.
December 2014	Nail Labo Taiwan Co., Ltd., a joint venture, established in Taipei, Taiwan.
April 2015	SHOFU Biofix Inc. established in Bunkyo-ku, Tokyo.
April 2015	Acquired Merz Dental GmbH of Germany and made it a subsidiary.
January 2017	Established local subsidiary SHOFU Dental Brasil Comercio de Produtos Odontologicos Ltda. in Sao Paulo, Brazil.
April 2017	Established local subsidiary SHOFU Dental India Pvt. Ltd. in New Delhi, India.
April 2020	Local subsidiary SHOFU Dental GmbH, built a new office building in Ratingen, near Dusseldorf.
May 2020	Established local subsidiary SHOFU Products Vietnam Co., Ltd. in Ha Nam Province, Vietnam.

Date	Event
June 2020	<p>Concluded a capital and business alliance with Mitsui Chemicals, Inc. and Sun Medical Co., Ltd.</p> <p>Issued shares to Mitsui Chemicals, Inc. in a third-party allocation, capital rose to 5.9 billion yen. At the same time, became an equity method affiliate of Mitsui Chemicals, Inc.</p> <p>Acquired shares of Sun Medical Co., Ltd. (currently a consolidated subsidiary of Mitsui Chemicals, Inc.), making it an equity-method affiliate.</p>
April 2022	Transitioned to the Prime Market from the First Section of the Tokyo Stock Exchange due to a revision of the market categories.
May 2022	Celebrated our 100th anniversary.
March 2023	Head office building "Ayumi Terrace" built at present location.

3. Description of business

The Group consists of SHOFU INC. (the Company), 18 consolidated subsidiaries (4 in Japan and 14 outside Japan), 1 non-consolidated subsidiary (outside Japan), 1 equity method affiliate, and 1 other affiliate. As a comprehensive manufacturer of dental materials and equipment, the Group's main businesses are the manufacture and sale of dental materials and equipment, as well as nail-related businesses and other businesses (industrial abrasives). The details of the Group's businesses and the outline of transactions are as follows.

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

Manufacturing companies, () is the location

(Domestic) SHOFU INC., Dental Business

Shiga SHOFU Inc., Dental Business

SHOFU Products Kyoto Inc., Dental and Other Businesses

Nail Labo Corp. Nail Care Business

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

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

Merz Dental GmbH, Dental Business (Germany)

Digital Dental Services GmbH, Dental Business (Germany)

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

Sales companies, () is the location

(Domestic) SHOFU INC., Dental Business

Nail Labo Corp., Nail Care Business

SHOFU Biofix Inc., Dental Business

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

SHOFU Dental GmbH, Dental Business (Germany)

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

Nail Labo Inc., Nail Care Business (US)

Advanced Healthcare Ltd., Dental Business (UK)

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

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

Merz Dental GmbH, Dental Business (Germany)

Digital Dental Services GmbH, Dental Business (Germany)

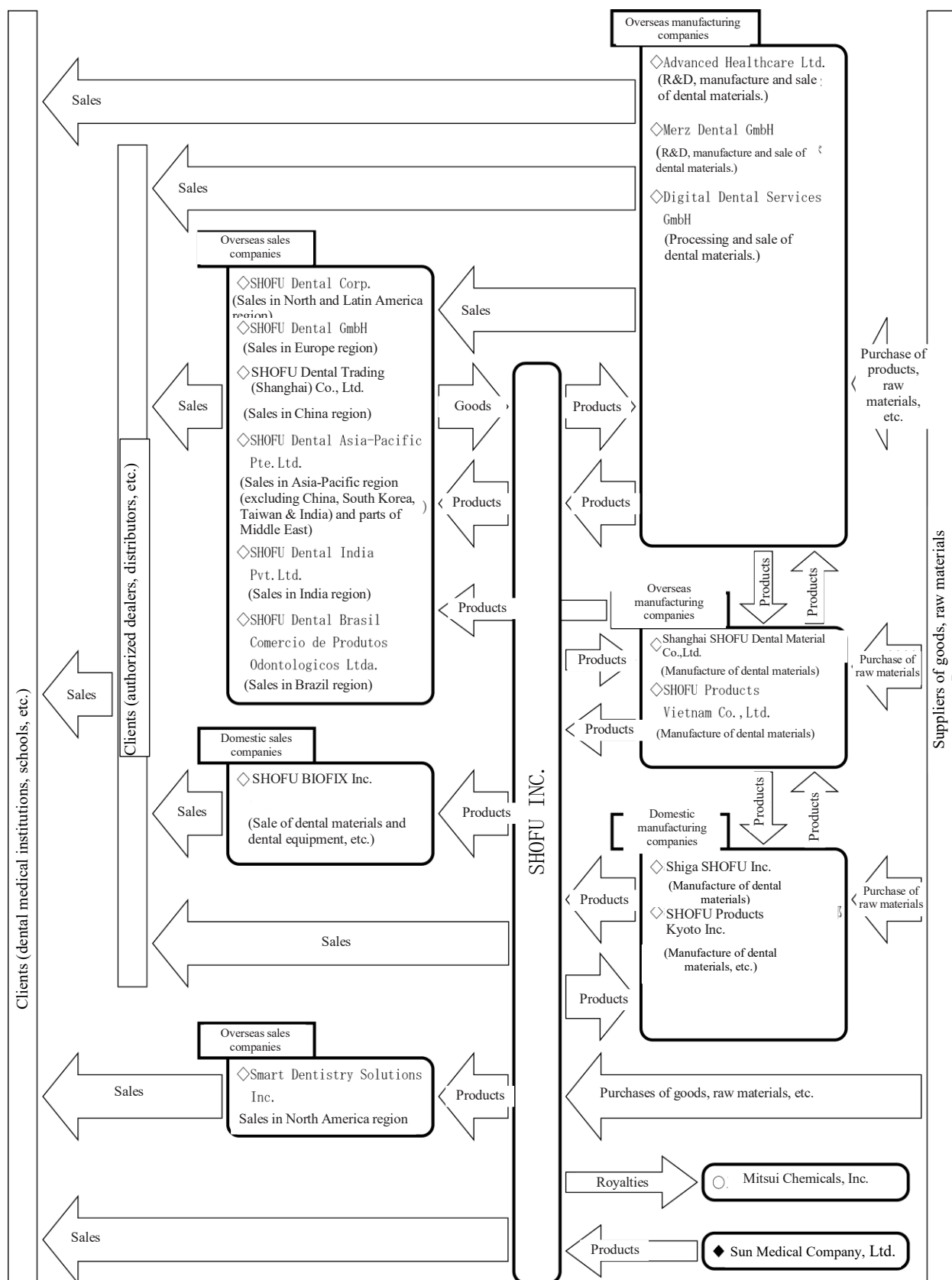
SHOFU Dental India Pvt. Ltd., Dental Business (India)

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

Smart Dentistry Solutions Inc., Dental Business (US)

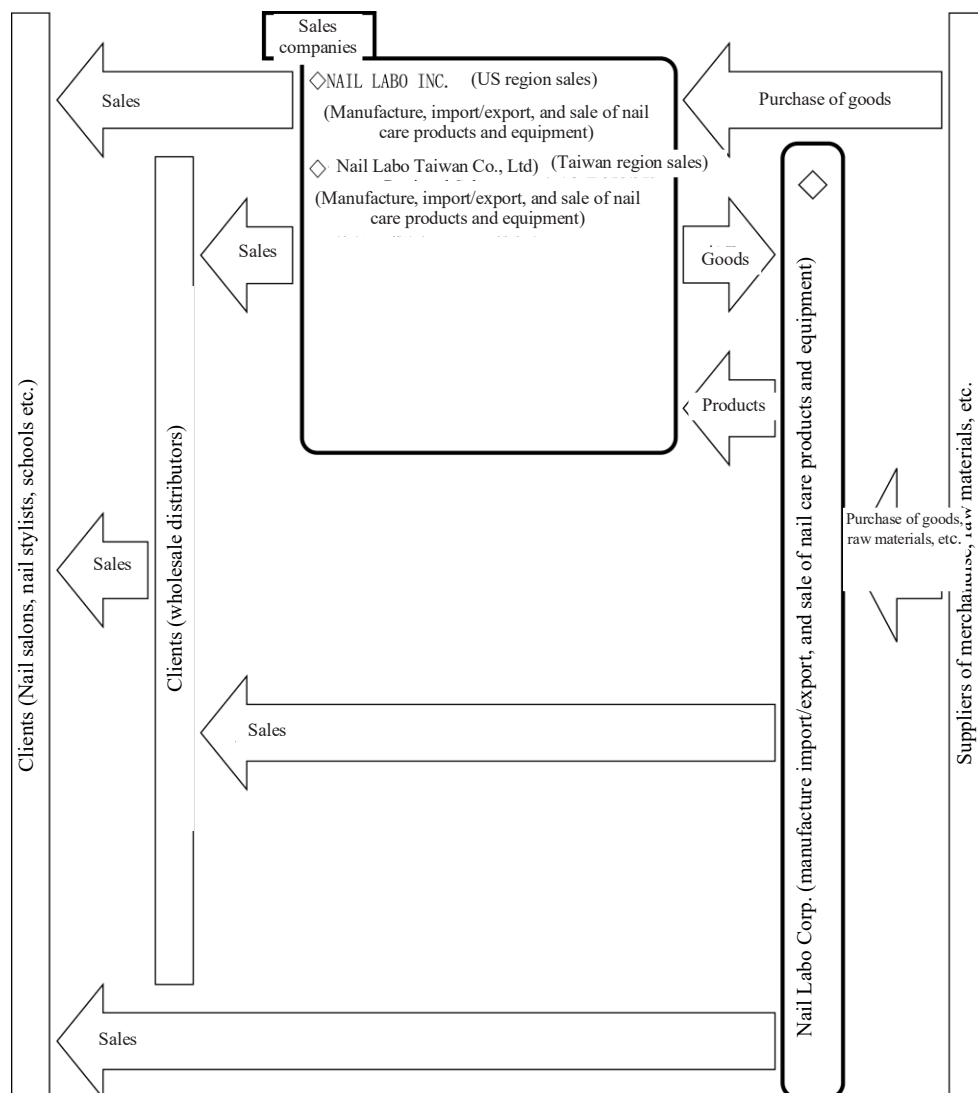
- Notes:
1. An unconsolidated subsidiary not accounted for by the equity method is not included in the above table.
 2. Other affiliated companies and affiliates accounted for by the equity method are not included in the above table.

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



- Notes: 1. Consolidated subsidiaries are indicated by ◇.
2. Other affiliated companies are indicated by ○.
3. Equity-method affiliates are indicated by ◆.
4. One non-consolidated subsidiary not accounted for by the equity method is not included in the above organization chart.

(Nail Care Business)



Note: Consolidated subsidiaries are indicated by ◇.

4. Information on subsidiaries and affiliates

As of March 31, 2024

Name	Location	Capital (million yen)	Principal business	Percentage of voting rights held (or owned) (%)	Relationship with the Company
Consolidated subsidiaries					
SHOFU Dental Corp. (Note 4)	San Marcos, California, US	US\$84,000	Dental Business (Import, export and sale of dental materials and equipment.)	100.0	Sale of our products and purchase of foreign goods. Concurrent directors: 4 (Including 3 employees of the Company.)
Shiga SHOFU Inc. (Note 2)	Koga-shi, Shiga Prefecture	52	Dental Business (Manufacture of dental materials.)	100.0	Among our products, manufacture of dental materials. Leasing land from the Company. Concurrent directors: 4 (Including 3 employees of the Company.)
SHOFU Dental GmbH (Note 5)	Ratingen, North Rhine-Westphalia, Germany	Euro1,000,000	Dental Business (Import, export and sale of dental materials and equipment.)Sales)	100.0	Sale of our products and purchase of foreign goods. Concurrent directors: 4 (Including 3 employees of the Company.)
Advanced Healthcare Ltd.	Tonbridge, Kent, United Kingdom	£ 2,240,000	Dental Business (R&D, manufacture and sale of dental materials.)	100.0	Supply of some raw materials and purchase of dental material products. Concurrent directors: 4 (Including 4 employees of the Company.)
SHOFU Products Kyoto Inc. (Note 2)	Kumiyama-cho, Kuse-gun, Kyoto	300	Dental and Other Businesses (Manufacture and sale of dental and industrial materials.)	100.0	Among our products, manufacture of dental materials. Leasing land and buildings from the Company. Concurrent directors: 6 (Including 5 employees of the Company.)
Shanghai SHOFU Dental Material Co., Ltd.	Shanghai, China	RMB25,953,900	Dental Business (Manufacture of dental materials.)	100.0	Among our products, manufacture of dental materials. Current directors: 5 (Including 5 employees of the Company.)
SHOFU Dental Trading (Shanghai) Co., Ltd. (Note 2, 6)	Shanghai, China	RMB 7,408,100	Dental Business (Import and sale of dental materials and equipment.)	100.0	Sale of our products. Concurrent directors: 4 (Including 4 employees of the Company.)
SHOFU Dental Asia-Pacific Pte. Ltd.	Singapore	US\$2,600,000	Dental Business (Import, export and sale of dental materials and equipment.)	100.0	Sale of our products. Concurrent directors: 3 (Including 3 employees of the Company.)
SHOFU Biofix Inc.	Bunkyo-ku, Tokyo	300	Dental Business (Sale of dental materials.)	100.0	Sale of our products. Concurrent directors: 6 (Including 5 employees of the Company.)
Merz Dental GmbH	Lütjenburg, Schleswig-Holstein, Germany	Euro3,100,000	Dental Business (R&D, manufacture and sale of dental materials.)	100.0	Sale of our products and purchase of dental material products. Concurrent directors: 4 (Including 3 employees of the Company.)
Digital Dental Services GmbH	Lütjenburg, Schleswig-Holstein, Germany	Euro25,000	Dental Business (Processing and sale of dental materials.)	100.0 (100.0)	
SHOFU Dental India Pvt. Ltd.	New Delhi, India	INR200,000,000	Dental Business (Import, export and sale of dental materials and equipment.)	100.0 (0.5)	Sale of our products. Concurrent directors: 3 (Including 3 employees of the Company.)
SHOFU Dental Brasil Comercio de Produtos Odontologicos Ltda.	São Paulo, Brazil	BRL7,000,000	Dental Business (Sale of dental materials.)	100.0 (3.6)	Sale of our products. Concurrent directors: 3 (Including 3 employees of the Company.)
SHOFU Products Vietnam Co., Ltd. (Note 2)	Ha Nam Province, Vietnam	US\$6,364,000	Dental Business (Manufacture of dental materials.)	100.0	Among our products, manufacture of dental materials. Concurrent directors: 5 (Including 3 employees of the Company.)
Smart Dentistry Solutions Inc.	Irvine, California, US	US\$2,000,000	Dental Business (Sale of dental materials.)	100.0	Sale of our products. Concurrent directors: 3 (Including 3 employees of the Company.)
Nail Labo Corp.	Shibuya-ku, Tokyo	250	Nail Business (Manufacture, export, import and sale of nail care products and equipment.)	100.0	Concurrent directors: 3 (Including 1 employee of the Company.)
Nail Labo Inc.	Garden Grove, California, US	US\$750,000	Nail Business (Import, export and sale of nail care products and equipment.)	100.0 (100.0)	Concurrent directors: 1 (Including 1 employee of the Company.)
Nail Labo Taiwan Co., Ltd.	Taipei, Taiwan	NT\$10,000,000	Nail Business (Import, export and sale of nail care products and equipment.)	70.0 (70.0)	Concurrent directors: 1 (Including 1 employee of the Company.)

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

- Notes:
1. The figures in parentheses in the ownership ratio of voting rights are the indirect ownership ratio included in the total.
 2. Of the above subsidiaries, Shiga SHOFU INC., SHOFU Products Kyoto Inc., SHOFU Dental Trading (Shanghai) Co., Ltd. and SHOFU Products Vietnam Co., Ltd. are specified subsidiaries.
 3. Mitsui Chemicals, Inc. is a company that submits securities reports
 4. Net sales of SHOFU Dental Corp. (excluding intercompany sales within the Group) account for more than 10% of consolidated net sales.

Major financial information

(1) Net sales	3,860	million yen
(2) Ordinary profit	744	million yen
(3) Net income	560	million yen
(4) Net assets	2,233	million yen
(5) Total assets	3,351	million yen

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

Major financial information

(1) Net sales	3,954	million yen
(2) Ordinary profit	816	million yen
(3) Net income	546	million yen
(4) Net assets	2,614	million yen
(5) Total assets	3,790	million yen

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

Major financial information

(1) Net sales	4,817	million yen
(2) Ordinary profit	1,274	million yen
(3) Net income	955	million yen
(4) Net assets	2,388	million yen
(5) Total assets	3,200	million yen

5. Employees

(1) Consolidated companies

(As of March 31, 2024)

Segment	Number of employees
Dental Business	1,264 (209)
Nail Care Business	99 (61)
Other Businesses	6 (-)
Total	1,369 (270)

Notes: 1. The number of employees is the number of full-time employees. The annual average number of part-time employees is shown in parentheses.

2. The number of part-time employees refers to associate employees and part-time employees and excludes dispatch employees.

(2) The Company

(As of March 31, 2024)

Number of employees	Average age (years)	Average years of service (years)	Average annual salary (yen)
499 (135)	43.05	16.77	7,924,840

Segment	Number of employees
Dental Business	494 (134)
Nail Care Business	5 (1)
Total	499 (135)

Notes: 1. The number of employees is the number of full-time employees (excluding those seconded from the Company to outside the Company but including those seconded from outside the Company to the Company). The figures in parentheses represent the average number of part-time employees for the year.

2. The number of part-time employees includes associate employees and part-time employees and excludes dispatch employees. 3. Average annual salary includes bonuses and overtime pay and excludes stock compensation expenses.

(3) Labor unions

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

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

Labor-management relations are progressing smoothly.

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

1) The Company

As of March 31, 2024

Current fiscal year					Supplementary explanation
Percentage of female employees in managerial positions (Note 1)	Percentage of male employees taking childcare leave (Note 2)	Difference in wages between male and female employees (%) (Note 1)			
		All employees	Regular employees	Part-time and fixed-term employees	
3.0	55.0	51.3	77.2	86.0	-

Notes: 1. Calculated pursuant to the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).

2. Calculated pursuant to the provisions of the Act on the Welfare of Workers who Take Care of Children or other Family Members Including Child Care and Family Care Leave (Act No. 76 of 1991). The figure shows the percentage of employees taking childcare leave, etc. set forth in Article 71-4, Item 1 of the Ordinance for Enforcement of the said Act (Ministry of Labor Ordinance No. 25 of 1991).

2) Consolidated subsidiaries

(As of March 31, 2024)

Current fiscal year						Supplementary explanation
Name	Percentage of female employees in managerial positions	Percentage of male employees taking childcare leave (Note)	Difference in wages between male and female employees (%)			
			All employees	Regular employees Workman	Part-time and fixed-term employees	
Shiga SHOFU Inc.	-	67.0	-	-	-	-

Note: Calculated pursuant to the provisions of the Act on the Welfare of Workers who Take Care of Children or other Family Members Including Child Care and Family Care Leave (Act No. 76 of 1991). The figure shows the percentage of employees taking childcare leave, etc. set forth in Article 71-4, Item 1 of the Ordinance for Enforcement of the said Act (Ordinance of the Ministry of Labour No. 25 of 1991) is calculated.

2. Business Overview

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

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

The forward-looking statements herein are based on management's assumptions and beliefs in light of information available as of June 25, 2024, the date of submission of this Annual Securities Report.

(1) Management policies and strategies, etc.

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

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

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

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

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

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

(2) Target management indicators

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

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

(3) Business environment and priority business and financial issues

As for the economic situation going forward, the global economy as a whole is expected to continue to grow, albeit at a moderate pace. However, in addition to the economic slowdown in China, there are concerns about the impact on the economy of a prolonged period of global inflation, changes in monetary policy in various countries, and tensions in the Middle East. As such, it is expected that uncertainty over the future will continue.

In the dental industry, in developed countries further growth is mainly expected in the fields of digital dentistry and esthetic and preventive medicine, and demand for dental care is expected to expand in emerging countries due to economic growth and improvement in living standards. As such, we recognize that the global dental market will grow significantly in the future.

Under these circumstances, the Group aims to achieve consolidated net sales of ¥50 billion and consolidated operating income of ¥7.5 billion to further increase its contribution to global dental care based on its management philosophy of "contribution to dentistry through innovative business activities."

Under the Fifth Medium-Term Management Plan, which started in April 2024, we will accelerate the pace of growth of the Group as the final period toward the achievement of the Vision.

Specifically, in the Dental Business, we aim to build a product supply system that can respond to global demand.

As a target, we will make unprecedented investments. In the domestic market, we will introduce products that are compatible with the expansion of products covered by health insurance. In order to further expand our overseas business, we will continue to expand our sales network and strengthen our academic activities, and further strengthen our regulatory filing system to market our products in countries around the world. In addition, the Company aims to enhance the corporate value of the Group over the medium to long term by strengthening alliances with partner companies, promoting sustainability issues, fostering an organizational culture of job satisfaction, and developing human resources.

In the Nail Business, the overall market and the status of participation in exhibitions has not yet reached the pre-pandemic levels. In addition, the competitive environment is expected to further intensify due to factors such as the diversification of user needs and the impact of inflation overseas. Against this backdrop, the Company will strive to increase recognition by expanding sales channels, developing sales strategies targeting young people, and conducting promotional activities through SNS and other media.

The industrial abrasives market is influenced by trends in the machinery industry, the main customer, and the market for general-purpose products is shifting to low-cost imports. Also, technological needs for high-value-added products are increasing year by year, and the business environment is expected to remain harsh due to intensified competition, including from overseas manufacturers, and soaring raw material prices. Against this backdrop, we will work to increase sales by further improving productivity and reducing costs, while at the same time cultivating new sales channels and promoting new product development.

2. Approach to sustainability and our initiatives

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

Any forward-looking statements herein are based on management's assumptions and beliefs in light of the information currently available to it as of the end of the current business term.

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

(1) Contribution to improving people's QOL

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

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

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

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

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

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

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

(1) Sustainability overall

Governance

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

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

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

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

Risk management





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






Specifically, in order to identify material issues for the Group, we have identified about 40 items as social issues related to the environment, society, and governance, and identified sustainability-related risks and opportunities. From the list of approximately 40 social issues, the Company evaluates the degree of importance from two perspectives, i.e., the degree of importance for the Company and the degree of importance for stakeholders, based on the risk and opportunity of each. The materiality of the Group is identified by the Board of Directors after deliberation by the Managing Executive Board.

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

Strategy, indicators and targets

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

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

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

(2) Addressing climate change

Governance

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

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

Risk Management

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

In addition, risks and opportunities related to climate change will be managed through the following activities 1) to 5), and reviewed periodically.

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

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

Strategy

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

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

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

Type		Causes of risks and opportunities	Specific issues	Financial impact in 2030	
				1.5 °C (2 °C)	4 °C
Opportunity	Efficiency of resources	Use of efficient means of transportation for Efficient production and distribution processes	The use of efficient production and distribution processes can reduce production, transport and storage costs.	Small	Small
			Energy cost can be reduced by energy saving.	Small	Small
		Use of recycled materials	Recycling of product components and packaging materials can reduce the amount of raw materials needed and reduce raw material costs.	Small	-
	Products and services	Development and expansion of low-carbon products and services Development of new products and services through R & D and innovation	The development of products that contribute to the efficiency improvement of dental care sites and the reduction of CO2 emissions will increase sales of our related products.	Medium	-
	Resilience	Participation in renewable energy programs and adoption of energy-saving measures	By promoting the reallocation of production sites and the diversification of procurement energy sources, including renewable energy, it is possible to expect an improvement in resilience in the event of a disaster or system power failure (business continuity, control of rising energy procurement costs).	Small	-

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

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

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

Indicators and targets

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

- FY2030 Scope 1 & 2 27% reduction (compared to FY3/22)
- Achieve carbon neutrality by FY3/51

CO ₂ emissions (Scope 1 & 2)	(tCO ₂)		
	FY3/22	FY3/23	FY3/24
Domestic	3,250.8	3,298.0	3,524.2
Overseas	2,032.5	2,027.1	2,292.8
Total	5,283.3	5,325.1	5,817.0
Percentage change from FY3/22 (%)	-	0.8	10.1
Index per unit of sales (compared to FY3/22) (%)	100	89.5	88.3

(3) Initiatives for human capital and diversity

Strategy

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

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

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

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

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

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

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

At the Company, the percentage of mid-career recruits in managerial positions is 21%. Since the percentage of mid-career recruits has increased in recent years, it is expected that the percentage of mid-career recruits in managerial positions will increase in the future. In the future, the Company will continue to provide equal remuneration, education, and promotion opportunities for both mid-career recruits and new-grad recruits. In addition, the Company's policy is to actively promote the mid-career recruitment of human resources necessary to secure diversity, such as women and foreign nationals, as well as human resources in fields and specialized fields that are lacking in the Company's business.

Indicators and targets

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

Indicator	Target	Results
Percentage of female employees hired	30% or more	21%
Percentage of employees taking childcare leave	(Male) 30% or more	55%
	(Female) 100%	100%

3. Business and other risks

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

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

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

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

Dental materials, dental equipment, medicated toothpaste, and in-vitro diagnostics sold by the Group are used to diagnose, treat, or prevent oral diseases in humans, and are subject to detailed regulations under the Pharmaceutical and Medical Device Act from the development and manufacturing stages to distribution (after sales). They are classified as pharmaceuticals, quasi-pharmaceuticals, cosmetics and medical devices, etc. under the Act.

To market these products, it is necessary to obtain a marketing authorization license from the prefectural governor. The licensing requirements include that there are no disqualification requirements for applicants, that a considerable number of qualified managers are secured and allocated, that a quality assurance organization is established to ensure that products are shipped and manufactured under appropriate manufacturing and quality control, and that a safety management organization is established to ensure (promote) safe and proper use even after marketing, and that management activities are carried out under the supervision of a General Marketing Compliance Officer in accordance with legal procedures. In addition, to manufacture pharmaceuticals, quasi-drugs and medical devices, etc., a manufacturing business registration is required, and to sell them to medical institutions, a sales business license is required.

The Group recognizes that the continuation of these licenses is one of the most important issues for its business and takes appropriate measures. However, if these licenses are revoked for some reason, there is a possibility that the continuation of the Group's business may be adversely affected.

The above-mentioned licenses are valid for 5 years for marketing authorization licenses, 6 years for sales business licenses, and 5 years for manufacturing business registration. Licenses may be revoked if the licensing requirements specified by laws and regulations are not met, but at present there are no factors that hinder the continuation of licenses.

(2) Risks related to quality and safety

The Group complies with the Pharmaceutical and Medical Device Act and other regulatory requirements and operates an appropriate quality management system. However, when the use of pharmaceuticals, quasi-pharmaceutical products, cosmetics, and medical devices, etc. manufactured and sold by the Group may cause or increase a hazard in health and hygiene, the Group must take necessary safety assurance measures, such as voluntary recall of products and goods, disposal, suspension of sales, and provision of information, to prevent such a hazard.

As a result, the Group's operating performance may be adversely affected by the loss of confidence in the quality and safety of its products.

(3) Risk related to product liability

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

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

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

(5) Risks related to intellectual property

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

(6) Risks related to new product development

The Group conducts research on the commercialization of artificial teeth and other dental materials in general, as well as research and development across the entire spectrum of dental care, including dental equipment. The Group's research and development focuses on applied research. However, in order to launch products after conducting industrialization research, it is necessary to obtain regulatory approval based on the Pharmaceutical and Medical Device Act as pharmaceuticals, quasi-drugs, and medical devices etc..

During these processes, unforeseen issues related to efficacy and safety may be identified or arise, and a new product may not be launched at the expected time. In addition, even if a positive result is obtained in a test conducted by the Group and an application for approval or certification is filed, approval or certification may be delayed or may not be obtained due to various reasons such as the review process of the application, GMP/QMS compliance inspection, or voluntary withdrawal of the application may occur.

In such cases, the Group's profitability could decline, and its operating results could be adversely affected.

(7) Risks related to medical insurance system trends

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

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

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

(9) Risk related to impairment of marketable equity securities

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

(10) Risk related to impairment of shares in subsidiaries

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

(11) Risks related to foreign exchange fluctuations

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

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

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

(12) Risks related to plant closure or suspension

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

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

possibility that the Group's operating results will be seriously affected.

(13) Risks related to computer information security

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

(14) Risks related to international business activities

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

(15) Financial covenants

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

(16) Affiliates accounted for by the equity method

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

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

(1) Overview of operating results, etc.

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

1) Operating results

In the current fiscal year, the global economy showed signs of recovery, but the outlook remained uncertain, as concerns about an economic slowdown increased due to factors such as global inflation, the continuation of monetary tightening policies in Europe and the United States, and the prolongation of geopolitical risks.

As for the Japanese economy, the economy was on a moderate recovery trend against the backdrop of improvement in the employment and income environment, but due to the risk of a downturn in overseas economies and the impact of inflation, there was still a lack of optimism.

In the dental industry, competition among companies in the field of digital dentistry has become increasingly fierce on a global scale. In Japan, however, there were some positive signs for the industry, such as initiatives for universal dental check-ups and consideration of the establishment and strengthening of systems to prevent oral frailty (decline in oral functions) and the deterioration of diseases.

Against this backdrop, the Group entered the final year of the Fourth Medium-Term Management Plan and carried out proactive business activities for the further growth of the Group.

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

In addition, the Company has implemented measures with an eye to medium- to long-term growth, such as rebuilding the head office factory and preparing for the establishment of a manufacturing subsidiary in China, to increase production capacity.

Consolidated operating results for the current fiscal year included net sales of ¥35,080 million (up 10.7% year-on-year), operating income of ¥4,709 million (up 23.1% year-on-year), ordinary income of ¥5,118 million (up 20.8% year-on-year), and net income attributable to owners of parent of ¥3,655 million (up 16.6% year-on-year). These results were all record highs for net sales, operating income, ordinary income, and net income.

Operating results by segment are as follows.

Dental Business

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

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

As a result, net sales in the Dental Business increased by ¥3,386 million (11.6%) year-on-year to ¥32,624 million. Operating income increased by ¥965 million (26.0%) year-on-year to ¥4,685 million due to increased sales, despite an increase in selling, general and administrative expenses.

Nail Care Business

In Japan, sales of gel nails for general consumers "by Nail Labo" decreased due to changes in consumer preferences, but sales of core gel products for professionals "PRESTO" and acrylic material "NAIL DE DANCE" increased steadily, resulting in a year-on-year increase in sales.

Overseas, in Taiwan, sales of the proprietary brand ARTiS di Voce increased mainly in drugstore chains. In the United States, we focused on SNS and other promotional activities but faced an uphill battle due to the impact of inflation, resulting in a year-on-year decline in overseas sales.

As a result, net sales in the Nail Care Business increased by ¥28 million (1.2%) year-on-year to ¥2,373 million, but operating income decreased by ¥88 million (94.5%) year-on-year to ¥5 million due to an increase in the cost of sales ratio and increases in selling, general and administrative expenses.

(Other Businesses)

In the Other Businesses segment, the market for industrial abrasives remained firm overall, with semiconductor supply improving, capital investment recovering, and automation and labor-saving needs increasing. However, the impact of price hikes implemented in the previous fiscal year led to a decline in orders from business partners, resulting in a substantial decline in overall sales.

As a result, net sales in the Other Business decreased by ¥13 million (14.3%) year-on-year to ¥81 million, but operating income increased by ¥7 million (134.8%) to ¥12 million.

2) Financial position

Current assets

The balance of current assets at the end of the current fiscal year was ¥25,179 million, an increase of ¥2,958 million from the end of the previous fiscal year. This was mainly due to increases in accounts receivable and merchandise and finished goods.

Non-current assets

The balance of non-current assets at the end of the current fiscal year was ¥24,914 million, an increase of ¥3,408 million from the end of the previous fiscal year. This was mainly due to an increase in investment securities thanks to a rise in market value.

Current liabilities

The balance of current liabilities at the end of the current fiscal year was ¥5,593 million, a decrease of ¥355 million from the end of the previous fiscal year. This was mainly due to a decrease in the current portion of long-term loans payable.

Non-current liabilities

The balance of non-current liabilities at the end of the current fiscal year was ¥2,890 million, an increase of ¥628 million from the end of the previous fiscal year. This was mainly due to an increase in long-term deferred tax liabilities.

Net assets

The balance of net assets at the end of the current fiscal year was ¥41,609 million, an increase of ¥6,094 million from the end of the previous fiscal year. This was mainly due to increases in retained earnings and valuation difference on available-for-sale securities.

As a result, the shareholders' equity ratio rose 1.9 percentage points to 82.7%.

3) Cash flows

Cash and cash equivalents at the end of the current fiscal year increased by ¥193 million from the end of the previous fiscal year to ¥9,024 million.

Cash flows from operating activities

Net cash provided by operating activities was ¥3,089 million (down ¥81 million from the previous fiscal year). This was mainly due to net income before income taxes of ¥5,282 million.

Cash flows from investing activities

Net cash used in investing activities was ¥1,295 million (down ¥5 million from the previous fiscal year). This was mainly due to the purchase of property, plant and equipment of ¥1,616 billion.

Cash flows from financing activities

Net cash used in financing activities was ¥2,096 million, down ¥638 million from the previous fiscal year. This was mainly due to dividend payments of ¥1,098 billion by the parent company and repayment of long-term loans payable of ¥964 million.

4) Production, orders received, and sales results

Production results

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

Name	Production (million yen)	year-on-year (%)
Dental Business	16,845	19.5
Nail Care Business	636	(16.0)
Other Businesses	87	(12.8)
Total	17,569	17.5

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

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

Orders received

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

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

Name	Orders received (million yen)	year-on-year (%)	Order backlog (million yen)	year-on-year (%)
Dental Business	1,004	3.3	494	27.4
Nail Care Business	-	-	-	-
Other Businesses	-	-	-	-
Total	1,004	3.3	494	27.4

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

Sales results

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

Name	Sales (million yen)	year-on-year (%)
Dental Business	32,624	11.6
Nail Care Business	2,373	1.2
Other Businesses	81	(14.3)
Total	35,080	10.7

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

2. Sales results by major customers and the ratio of such sales to total sales are not stated as the ratio of sales of major customers is less than 10%.

3. Transactions between the three segments have been eliminated.

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

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

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

Analysis of operating results

Consolidated net sales for the current fiscal year were ¥35,080 million, an increase of ¥3,401 million, or 10.7%, from the previous fiscal year.

Operating income increased by ¥884 million (23.1%) from the previous fiscal year to ¥4,709 million due to increased sales, despite an increase in selling, general and administrative expenses.

Ordinary income increased by ¥880 million (20.8%) from the previous fiscal year to ¥5,118 million mainly due to dividend income and foreign exchange gains.

As a result of recording gains on sales of investment securities and gains on recovery of remittance fraud as extraordinary income and an impairment loss as an extraordinary loss, net income attributable to owners of parent after deducting tax expenses increased by ¥520 million (16.6%) from the previous fiscal year to ¥3,655 million. Net sales, operating income, ordinary income, and net income reached record highs.

Analysis of financial position

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

Information concerning sources of capital and liquidity of funds

The Group currently procures necessary working capital and investment funds from its own funds and loans from financial institutions. The Company has also concluded commitment line contracts with four financial institutions to build a flexible and stable fund procurement system.

The Group has built a good relationship with financial institutions and believes that it will be able to continue to stably raise working capital and investment funds necessary for the future.

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

2) Significant accounting estimates and assumptions used in such estimates

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

5. Significant business contracts

Exclusive distribution agreement

Contracting entity	Counterparty	Country	Details of the contract	Term of contract
SHOFU INC. (the Company)	Johnson & Johnson K. K.	Japan	Exclusive distribution agreement for the company's dental products	One year from December 21, 1999, automatic renewal every year thereafter (Note)

(Note) In April 2024, the Company and Johnson & Johnson K. K. entered into a new distribution agreement, whereby the previous distribution agreement (Exclusive Distribution Agreement) was terminated.

6. Research and development activities

As for research and development activities, we are conducting R&D on dental materials, dental peripheral equipment, and nail products. In the current fiscal year, research and development costs were ¥1,927 million

Research and development activities by segment are as follows.

Dental Business

In abrasive materials, we launched SHOFU CREATE DIAMOND FG in May. This is a diamond point product that inherits the concepts of high grinding performance, durability, and ease of use of the current product Diamond Point FG, which we have cultivated over the years. By changing the diamond from natural to synthetic, in-house production of shanks (excluding 105R), and manufacturing at SHOFU Products Vietnam Co., Ltd. from the current product, we have achieved cost reduction while maintaining the same quality as the current product. In addition, the use of a blister container makes it easier to understand the shape of the product even in the packaged state, and it is easier to use and hygienic because it can be taken out one by one.

In June, we launched Eye Special C-V, the fifth generation of Eye Special, an intraoral camera. Based on the basic concept of the Eye Special, which is easy shooting, compact and lightweight, and color reproduction suitable for intraoral shooting, the lens module and appearance were changed from the previous model Eye Special C-IV, and improvements were made to upgrade each function in response to user demands.

In the field of orthodontics, we worked to enhance our lineup of orthodontic wires (Ortholine Archwire II Ti-Ni SE200 White and Ortholine Archwire II Stainless Steel White were launched on November 1, 2023). By applying a resin white coat to the surface of conventional titanium-nickel and stainless-steel wires, we worked to expand our lineup of orthodontic wire products that make the oral cavity of patients undergoing orthodontic treatment less noticeable and give a natural impression.

On the other hand, in the field of oral health, in October we launched Meressage Premium Care, Meressage Perio Care, and Meressage Whitening Care, which can be used by patients at home. Meressage Premium Care is a toothpaste that contains eight types of medicinal ingredients and was developed for the purpose of protecting oral health. It contains a friendly citrus flavor so that people with multiple oral problems can care for them with a single product. Meressage Perio Care is a toothpaste for patients suffering from periodontal disease or those who want to prevent periodontal disease. It has low polishing property that allows plaque control, and the medicinal ingredients that are effective against periodontal disease are adjusted to a paste property that allows them to stay in the mouth easily. Meressage Whitening Care is a toothpaste for aesthetically conscious users who are concerned about stains after whitening treatments or daily. It contains a cleaning agent and a cleaning aid that are effective in removing stains.

BeautiLinkSA, a self-adhesive resin cement, was launched in October. Through a thorough analysis of other companies' products and significant improvements to previous products, BeautiLinkSA has been able to adhere to various adherends without pretreatment (achieving high initial adhesive strength to CAD/CAM crowns). In addition, BeautiLinkSA can be stored at room temperature between 1 °C and 25 °C thanks to the evolution of catalyst technology, while maintaining its bioactive function based on PRG technology and adhering to easy-to-handle paste properties.

In December, SHOFU Block PEEK, a strategic product in the insurance list that we have been working on for many years, was listed in the C1 category as a CAD/CAM crown material (V) (launched on the same day). SHOFU Block PEEK is an insurance-covered material that can be used for all molars. It is made from PEEK (polyether ether ketone), an engineering plastic with features such as high toughness, excellent biocompatibility, and low water absorption. These features not only allow us to minimize the amount of cutting of natural teeth when performing prosthetic treatment with crowns, but also allow us to replace cases in which metal crowns were used in insurance treatment with this product, making it possible to actively apply it to patients with metal allergies.

In addition, in November, we added the top-of-the-line "F8" 3Shape desktop scanner to the SHOFU S-WAVE scanner. As the tagline says, "Fast forward to design," we have reduced the scanning process and are now able to smoothly proceed to the design by Dental System. In addition, we have changed the Beautifil Flow Plus X flowable resin needle tip from a two-part type of resin and metal to a resin integral molding type "P-Needle Tip" and have been selling it since February. By reviewing the design, it has a lighter extrusion feel and is easier to tighten when worn.

Nail Care Business

In the gel nail field (for professional nail stylists) as part of our core PRESTO lineup of visible light LED curing gel nail systems in May we launched "No-Wipe Top Gel," which does not require the wiping of uncured gel and "Bubbling Gel," which can create three dimensional bubble art by curing gel that contains air, and in November we launched "Art & Clean Liquid," which can be modified into ink-like properties by mixing with color gel, and "Color Gel L Series," a liner gel with excellent color development that can express delicate lines such as lace patterns and letters (7 colors in total). In addition, we have introduced collaboration colors with 7 nail artists and various colors that match the trends of each country and launched new color gels (42 colors in total) and new color brush-on gels (12 colors in total).

As part of our "ageha" lineup, in collaboration with a famous manicurist, in May we launched "Pre-Mirror Coat Gel", which is used as a base for mirror art, and in August, we launched "Mixing Custom Gel", which can create an original gel by mixing glitter, etc. In addition, we launched new color gels (45 colors in total) as ageha original colors for easy-to-use salon work.

As for ARTiS di Voce, a gel nail system targeting mid-to-low-end users in Asian countries, with planning by Nail Lab Taiwan,

we launched new color gels (50 colors in total).

In the gel nail field (for general consumers), as part of the lineup of "by Nail Labo," a gel nail system that allows you to easily enjoy fashionable nails at home, in June we launched "Keep Base Gel," which has excellent adhesion to nails. We also launched new color gels (16 colors in total), which anticipate seasonal trends.

In the acrylic nail field (for professional nail professionals), in July we rebranded "NAIL DE DANCE", an acrylic nail system developed by applying dental material technology and launched 10 types of acrylic powder and 2 types of acrylic liquid by improving products and consolidating the lineup.

Other Businesses

Not applicable.

3. Facilities

1. Overview of capital expenditures

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

The total amount of capital expenditures for the current consolidated fiscal year was ¥1,282 million yen. Capital expenditure by segment is as follows.

(1) Dental Business

¥220 million was invested mainly in the acquisition of production equipment at the Kyoto head office.

(2) Nail Care Business

There were no significant capital expenditures.

(3) Other Businesses

There were no significant capital expenditures.

2. Major facilities

The major facilities of the Group are as follows.

(1) The Company

As of March 31, 2024

Facility (location)	Segment	Description	Book value (million yen)						Number of employees (persons)
			Buildings & structures	Machinery & vehicles	Land (area m2)	Leased assets	Other	Total	
Head office plant (Higashiyama-ku, Kyoto)	Dental Business	Factory Manufacturing equipment Office	2,160	323	105 (15,766)	-	556	3,145	383 (121)
Tokyo Branch (Bunkyo-ku, Tokyo)	Dental Business	Sales equipment Office	263	-	352 (387)	-	50	665	61 (10)
Other sales offices, etc.	Dental Business	Sales equipment	131	0	512 (1,894)	-	39	683	55 (4)
Leases to subsidiaries	Dental Business	Land Manufacturing equipment	36	0	644 (15,138)	-	0	681	-

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

2. The figure in parentheses in the employees column is the number of temporary employees.

3 There are no major facilities currently idle.

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

(2) Domestic subsidiaries

As of March 31, 2024

Company	Facility (location)	Segment	Description	Book value (million yen)						Number of employees (persons)
				Buildings & structures	Machinery & vehicles	Land (area m2)	Leased assets	Other	Total	
Shiga SHOFU Inc.	Head office plant (Koga-shi, Shiga)	Dental Business	Manufacturing equipment	329	94	28 (5,290)	-	45	498	65 (45)
SHOFU Products Kyoto Inc.	Head office plant (Kumiyama-cho, Kuse-gun, Kyoto)	Dental Business	Manufacturing equipment	267	98	-	-	35	401	47 (22)
SHOFU Products Kyoto Inc.	Head office plant (Kumiyama-cho, Kuse-gun, Kyoto)	Other Businesses	Manufacturing equipment	21	0	-	-	2	25	6
Nail Lab Co.	Head office plant, etc. (Shibuya-ku, Tokyo)	Nail Care Business	Sales equipment Manufacturing equipment Office	53	6	203 (955)	17	51	333	68 (24)
SHOFU Biofix Inc.	Head office (Bunkyo-ku, Tokyo)	Dental Business	Sales equipment	-	-	-	-	0	0	2 (2)

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

2 There are no major facilities currently idle.

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

(3) Overseas subsidiaries

As of March 31, 2024

Company	Facility (location)	Segment	Description	Book value (million yen)						Number of employees (persons)
				Buildings & structures	Machinery & vehicles	Land (Area m2)	Leased assets	Other	Total	
SHOFU Dental Corp.	Head office (California, US)	Dental Business	Sales equipment Office	81	5	64 (3,669)	-	16	167	51
SHOFU Dental GmbH	Head office, etc. (North Rhine-Westphalia, Germany, etc.)	Dental Business	Sales equipment Office	789	-	281 (8,775)	-	99	1,170	49
Advanced Healthcare Ltd.	Head office plant (Kent, UK)	Dental Business	Manufacturing equipment Office	139	-	273 (3,555)	-	96	508	40
Shanghai SHOFU Dental Material Co., Ltd.	Head office plant (Shanghai, China)	Dental Business	Manufacturing equipment Office	136	65	-	-	21	223	93(6)
Nail Labo Inc.	Head office (California, US)	Nail Care Business	Sales equipment	-	-	-	-	4	4	7 (3)
SHOFU Dental Trading (Shanghai) Co., Ltd.	Head office, etc. (Shanghai, China)	Dental Business	Sales equipment	-	0	-	-	7	8	69
SHOFU Dental Asia-Pacific Pte.Ltd.	Head office (Singapore)	Dental Business	Sales equipment	4	-	-	66	3	83	20
Nail Labo Taiwan Co., Ltd.	Head office (Taipei, Taiwan)	Nail Care Business	Sales equipment	-	-	-	-	25	25	19 (33)
Merz Dental GmbH	Head office plant (Schleswig-Holstein, Germany)	Dental Business	Manufacturing equipment Office	422	166	80 (18,501)	-	409	1,079	171
Digital Dental Services GmbH	Head office plant (Schleswig-Holstein, Germany)	Dental Business	-	-	-	-	-	-	-	-
SHOFU Dental India Pvt.Ltd.	Head office (New Delhi, India)	Dental Business	Sales equipment	5	-	-	50	47	103	106
SHOFU Dental Brasil Comercio de Produtos Odontologicos Ltda.	Head office (Sao Paulo, Brazil)	Dental Business	Sales equipment	0	0	-	-	9	9	12
SHOFU Products Vietnam Co.,Ltd.	Head office plant (Ha Nam Province, Vietnam)	Dental Business	Manufacturing equipment Office	398	539	-	-	24	963	38
Smart Dentistry Solutions Inc.	Head office (California, US)	Dental Business	Sales equipment	-	7	-	-	50	58	7

Notes: 1. There are no major facilities currently idle.

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

3. Plans for new additions or disposals

(1) New construction of significant facilities

As of March 31, 2024

Company	Facility (Location)	Segment	Description	Planned investment		Financing method	Start date	Scheduled completion date
				Total (million yen)	Paid (million yen)			
The Company	Head office plant (Higashiyama-ku, Kyoto)	Dental Business	Factory reconstruction	3,245	-	Cash on hand and borrowings	July 2023	February 2028

Note: The above amount does not include consumption tax.

(2) Removal, etc. of significant facilities

Not applicable

4. Corporate Information

1. Information on the Company's share

(1) Total number of shares, etc.

1) Total number of shares

Type	Total number of authorized shares (shares)
Common stock	64,000,000
Total	64,000,000

Note: At a meeting of the Board of Directors held on May 1, 2024, it was resolved to conduct a stock split and make a partial amendment to the Articles of Incorporation in connection with the stock split. As a result of the stock split, the total number of authorized shares of the Company will increase from 64,000,000 shares to 128,000,000 shares on October 1, 2024, the effective date of the stock split.

2) Total number of shares issued

Type	Number of shares issued as off the end of the fiscal year (March 31, 2024)	Number of shares issued as of filing date (June 25, 2024)	Name of listed financial instruments exchange or registered and licensed financial instruments association	Description
Common stock	17,894,089	17,894,089	Tokyo Stock Exchange Prime Market	The number of shares constituting one unit is 100 shares.
Total	17,894,089	17,894,089	-	-

(2) Status of stock acquisition rights, etc.

1) Stock option plans

Resolution of June 28, 2011 (Class and number of persons granted stock acquisition rights: 6 directors of the Company, 11 executive officers of the Company)		
	As of the end of the fiscal year (March 31, 2024)	As of the end of the month preceding the filing date (May 31, 2024)
Number of stock acquisition rights	59	Same as on the left
Type and number of shares to be issued upon exercise of stock acquisition rights	Common stock 5,900 shares (Note 1)	Same as on the left
Amount to be paid in upon exercise of stock acquisition rights	The amount shall be calculated by multiplying 1 yen, the amount per share issued or transferred upon exercise of stock acquisition rights, by the number of shares granted.	Same as on the left
Exercise period of stock acquisition rights	July 15, 2011 - July 14, 2041	Same as on the left
Issue price of shares and amount to be incorporated into capital in cases where shares are issued through exercise of stock acquisition rights	Issue price 670 yen per share (Note 2)	Same as on the left
Conditions for exercise of stock acquisition rights	A stock acquisition right holder may exercise the stock acquisition rights only in full during the period from the day following the day on which he / she loses his / her position as a director or an executive officer to the day on which 10 days (if the 10th day falls on a holiday, the next business day) have elapsed	Same as on the left
Matters related to transfer of stock acquisition rights	The acquisition of stock acquisition rights by transfer shall require the approval of the Board of Directors of the Company.	Same as on the left
Matters concerning the delivery of stock acquisition rights in connection with acts of organizational restructuring	(Note 3)	Same as on the left

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

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

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

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

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

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

company established by consolidation-type merger is formed in the case of a consolidation-type merger, the day on which the absorption-type company split takes effect in the case of an absorption-type company split, the day on which the company established by Incorporation-type company split is formed in the case of an incorporation-type company split, the day on which the share exchange takes effect in the case of a share exchange, and the day on which the wholly owning parent company established by share transfer is formed in the case of a share transfer).

Provided, however, that this shall be limited to cases where the delivery of stock acquisition right of the Reorganized Company is stipulated in an absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan.

Resolution of June 27, 2012 (Class and number of persons granted stock acquisition rights: 7 directors of the Company, 8 executive officers of the Company)		
	As of the end of the fiscal year (March 31, 2024)	As of the end of the month preceding the filing date (May 31, 2024)
Number of stock acquisition rights	82	Same as on the left
Type and number of shares to be issued upon exercise of stock acquisition rights	Common stock 8,200 shares (Note 1)	Same as on the left
Amount to be paid in upon exercise of stock acquisition rights	The amount shall be calculated by multiplying 1 yen, the amount per share issued or transferred upon exercise of stock acquisition rights, by the number of shares granted.	Same as on the left
Exercise period of stock acquisition rights	July 14, 2012 - July 13, 2042	Same as on the left
Issue price of shares and amount to be incorporated into capital in cases where shares are issued through exercise of stock acquisition rights	Issue price 765 yen per share (Note 2)	Same as on the left
Conditions for exercise of stock acquisition rights	A stock acquisition right holder may exercise the stock acquisition rights only in full during the period from the day following the day on which he / she loses his / her position as a director or an executive officer to the day on which 10 days (if the 10th day falls on a holiday, the next business day) have elapsed.	Same as on the left
Matters related to transfer of stock acquisition rights	The acquisition of stock acquisition rights by transfer shall require the approval of the Board of Directors of the Company.	Same as on the left
Matters concerning the delivery of stock acquisition rights in connection with acts of organizational restructuring	(Note 3)	Same as on the left

Notes 1-3 are the same as Notes 1-3 of the resolution of June 28, 2011.

Resolution of June 26, 2013 (Class and number of persons granted stock acquisition rights: 7 directors of the Company, 10 executive officers of the Company)		
	As of the end of the fiscal year (March 31, 2024)	As of the end of the month preceding the filing date (May 31, 2024)
Number of stock acquisition rights	109	Same as on the left
Type and number of shares to be issued upon exercise of stock acquisition rights	Common stock 10,900 shares (Note 1)	Same as on the left
Amount to be paid in upon exercise of stock acquisition rights	The amount shall be calculated by multiplying 1 yen, the amount per share issued or transferred upon exercise of stock acquisition rights, by the number of shares granted.	Same as on the left
Exercise period of stock acquisition rights	July 18, 2013 - July 17, 2043	Same as on the left
Issue price of shares and amount to be incorporated into capital in cases where shares are issued through exercise of share acquisition rights	Issue price 799 yen per share (Note 2)	Same as on the left

Conditions for exercise of stock acquisition rights	A stock acquisition right holder may exercise the stock acquisition rights only in full during the period from the day following the day on which he / she loses his / her position as a director or an executive officer to the day on which 10 days (if the 10th day falls on a holiday, the next business day) have elapsed.	Same as on the left
Matters related to transfer of stock acquisition rights	The acquisition of stock acquisition rights by transfer shall require the approval of the Board of Directors of the Company.	Same as on the left
Matters concerning the delivery of stock acquisition rights in connection with acts of organizational restructuring	(Note 3)	Same as on the left

Notes 1-3 are the same as Notes 1-3 of the resolution of June 28, 2011.

Resolution of June 26, 2014 (Class and number of persons granted stock acquisition rights: 7 directors of the Company, 8 executive officers of the Company)		
	As of the end of the fiscal year (March 31, 2024)	As of the end of the month preceding the filing date (May 31, 2024)
Number of stock acquisition rights	109	Same as on the left
Type and number of shares to be issued upon exercise of stock acquisition rights	Common stock 10,900 shares (Note 1)	Same as on the left
Amount to be paid in upon exercise of stock acquisition rights	The amount shall be calculated by multiplying 1 yen, the amount per share issued or transferred upon exercise of stock acquisition rights, by the number of shares granted.	Same as on the left
Exercise period of stock acquisition rights	July 16, 2014 - July 15, 2044	Same as on the left
Issue price of shares and amount to be incorporated into capital in cases where shares are issued through exercise of share acquisition rights	Issue price 849 yen per share (Note 2)	Same as on the left
Conditions for exercise of stock acquisition rights	A stock acquisition right holder may exercise the stock acquisition rights only in full during the period from the day following the day on which he / she loses his / her position as a director or an executive officer to the day on which 10 days (if the 10th day falls on a holiday, the next business day) have elapsed.	Same as on the left
Matters related to transfer of stock acquisition rights	The acquisition of stock acquisition rights by transfer shall require the approval of the Board of Directors of the Company.	Same as on the left
Matters concerning the delivery of stock acquisition rights in connection with acts of organizational restructuring	(Note 3)	Same as on the left

Notes 1-3 are the same as Notes 1-3 of the resolution of June 28, 2011.

Resolution of June 25, 2015 (Class and number of persons granted stock acquisition rights: 6 directors of the Company (excluding outside directors), 9 executive officers of the Company (not concurrently serving as directors))		
	As of the end of the fiscal year (March 31, 2024)	As of the end of the month preceding the filing date (May 31, 2024)
Number of stock acquisition rights	94	Same as on the left
Type and number of shares to be issued upon exercise of stock acquisition rights	Common stock 9,400 shares (Note 1)	Same as on the left
Amount to be paid in upon exercise of stock acquisition rights	The amount shall be calculated by multiplying 1 yen, the amount per share issued or transferred upon exercise of stock acquisition rights, by the number of shares granted.	Same as on the left
Exercise period of stock acquisition rights	July 15, 2015 - July 14, 2045	Same as on the left
Issue price of shares and amount to be incorporated into capital in cases where shares are issued through exercise of share acquisition rights	Issue price 1,215 yen per share (Note 2)	Same as on the left
Conditions for exercise of stock acquisition rights	A stock acquisition right holder may exercise the stock acquisition rights only in full during the period from the day following the day on which he / she loses his / her position as a director or an executive officer to the day on which 10 days (if the 10th day falls on a holiday, the next business day) have elapsed.	Same as on the left
Matters related to transfer of stock acquisition rights	The acquisition of stock acquisition rights by transfer shall require the approval of the Board of Directors of the Company.	Same as on the left
Matters concerning the delivery of stock acquisition rights in connection with acts of organizational restructuring	(Note 3)	Same as on the left

Notes 1-3 are the same as Notes 1-3 of the resolution of June 28, 2011.

Resolution of June 28, 2016 (Class and number of persons granted stock acquisition rights: 6 directors of the Company (excluding outside directors), 9 executive officers of the Company (not concurrently serving as directors))		
	As of the end of the fiscal year (March 31, 2024)	As of the end of the month preceding the filing date (May 31, 2024)
Number of stock acquisition rights	90	Same as on the left
Type and number of shares to be issued upon exercise of stock acquisition rights	Common stock 9,000 shares (Note 1)	Same as on the left
Amount to be paid in upon exercise of stock acquisition rights	The amount shall be calculated by multiplying 1 yen, the amount per share issued or transferred upon exercise of stock acquisition rights, by the number of shares granted.	Same as on the left
Exercise period of stock acquisition rights	July 21, 2016 - July 20, 2046	Same as on the left
Issue price of shares and amount to be incorporated into capital in cases where shares are issued through exercise of share acquisition rights	Issue price 1,325 yen per share (Note 2)	Same as on the left
Conditions for exercise of stock acquisition rights	A stock acquisition right holder may exercise the stock acquisition rights only in full during the period from the day following the day on which he / she loses his / her position as a director or an executive officer to the day on which 10 days (if the 10th day falls on a holiday, the next business day) have elapsed.	Same as on the left
Matters related to transfer of stock acquisition rights	The acquisition of stock acquisition rights by transfer shall require the approval of the Company's Board of Directors.	Same as on the left
Matters concerning the delivery of stock acquisition rights in connection with acts of organizational restructuring	(Note 3)	Same as on the left

Notes 1-3 are the same as Notes 1-3 of the resolution of June 28, 2011.

Resolution of June 27, 2017 (Class and number of persons granted stock acquisition rights: 6 directors of the Company (excluding outside directors), 8 executive officers of the Company (not concurrently serving as directors))		
	As of the end of the fiscal year (March 31, 2024)	As of the end of the month preceding the filing date (May 31, 2024)
Number of stock acquisition rights	114	Same as on the left
Type and number of shares to be issued upon exercise of stock acquisition rights	Common stock 11,400 shares (Note 1)	Same as on the left
Amount to be paid in upon exercise of stock acquisition rights	The amount shall be calculated by multiplying 1 yen, the amount per share issued or transferred upon exercise of stock acquisition rights, by the number of shares granted.	Same as on the left
Exercise period of stock acquisition rights	July 20, 2017 - July 19, 2047	Same as on the left
Issue price of shares and amount to be incorporated into capital in cases where shares are issued through exercise of share acquisition rights	Issue price 1,239 yen per share (Note 2)	Same as on the left
Conditions for exercise of stock acquisition rights	A stock acquisition right holder may exercise the stock acquisition rights only in full during the period from the day following the day on which he / she loses his / her position as a director or an executive officer to the day on which 10 days (if the 10th day falls on a holiday, the next business day) have elapsed.	Same as on the left
Matters related to transfer of stock acquisition rights	The acquisition of stock acquisition rights by transfer shall require the approval of the Board of Directors of the Company.	Same as on the left

Matters concerning the delivery of stock acquisition rights in connection with acts of organizational restructuring	(Note 3)	Same as on the left
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Notes 1-3 are the same as Notes 1-3 of the resolution of June 28, 2011.

Resolution of June 26, 2018 (Class and number of persons granted stock acquisition rights: 6 directors of the Company (excluding outside directors), 7 executive officers of the Company (not concurrently serving as Directors))		
	As of the end of the fiscal year (March 31, 2024)	As of the end of the month preceding the filing date (May 31, 2024)
Number of stock acquisition rights	107	Same as on the left
Type and number of shares to be issued upon exercise of stock acquisition rights	Common stock 10,700 shares (Note 1)	Same as on the left
Amount to be paid in upon exercise of stock acquisition rights	The amount shall be calculated by multiplying 1 yen, the amount per share issued or transferred upon exercise of stock acquisition rights, by the number of shares granted.	Same as on the left
Exercise period of stock acquisition rights	July 19, 2018 - July 18, 2048	Same as on the left
Issue price of shares and amount to be incorporated into capital in cases where shares are issued through exercise of share acquisition rights	Issue price 1,285 yen per share (Note 2)	Same as on the left
Conditions for exercise of stock acquisition rights	A stock acquisition right holder may exercise the stock acquisition rights only in full during the period from the day following the day on which he / she loses his / her position as a director or an executive officer to the day on which 10 days (if the 10th day falls on a holiday, the next business day) have elapsed.	Same as on the left
Matters related to transfer of stock acquisition rights	The acquisition of stock acquisition rights by transfer shall require the approval of the Board of Directors of the Company.	Same as on the left
Matters concerning the delivery of stock acquisition rights in connection with acts of organizational restructuring	(Note 3)	Same as on the left

Notes 1-3 are the same as Notes 1-3 of the resolution of June 28, 2011.

2) Rights plans

Not applicable.

3) Other stock acquisition rights, etc.

Not applicable.

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

Not applicable.

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

Date	Increase (decrease) in number of shares issued	Total number of shares outstanding	Increase (decrease) in common stock (million yen)	Balance of common stock (million yen)	Increase (decrease) in capital surplus (million yen)	Balance of capital surplus (million yen)
June 15, 2020 (Note)	1,780,000	17,894,089	1,494	5,968	1,494	6,071

Note: As a result of the paid-in capital increase through third party allotment with the payment date of June 15, 2020, the total number of issued shares increased by 1,780,000 shares, and capital stock and capital reserve each increased by 1,494 million yen.

- Issue price: 1,679 yen
- Incorporated into common stock: 839.5 yen
- Allottee: Mitsui Chemicals, Inc.

(5) Status of shareholders

As of March 31, 2024

As of March 31, 2024

Classification	Status of units (Number of shares per unit: 100 shares)								Shares under one unit (number of shares)
	National and local governments	Financial institutions	Securities companies	Other corporations	Foreign shareholders		Individuals and other	Total	
					Other than individuals	Individuals only			
Number of shareholders (persons)	-	18	21	96	94	35	11,713	11,977	-
Number of shares held (units)	-	43,200	3,191	58,377	22,542	109	51,310	178,729	21,189
Percentage of shares held	-	24.17	1.78	32.66	12.61	0.06	28.70	100.00	-

Note: 151,114 shares of treasury stock is 1,511 units in Individuals and other and 14 shares in Shares under one unit

(6) Major shareholders

As of March 31, 2024

Name	Address	number of shares held (thousand shares)	Number of share held as percentage of total shares issued (excluding treasury stock) (%)
Mitsui Chemicals, Inc.	2-2-1 Yaesu, Chuo-ku, Tokyo	3,580	20.17
The Master Trust Bank of Japan, Ltd. (Trust account)	1-8-1 Akasaka, Minato-ku, Tokyo	866	4.88
The Bank of Kyoto, Ltd.	700 Yakushimae-cho, Karasuma-dori Matsubara-agaru, Shimogyo-ku, Kyoto	712	4.01
Nippon Life Insurance Company	1-6-6 Marunouchi, Chiyoda-ku, Tokyo	646	3.64
The Shiga Bank, Ltd.	1-38 Hama-cho, Otsu-shi, Shiga	602	3.39
Japan Custody Bank, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	479	2.69
NORTHERN TRUST CO.(AVFC)RE IEDP AIF CLIENTS NON TREATY ACCOUNT (Standing agent: Senior Manager, Operation, Custody Business Department, Tokyo Branch, The Hong Kong and Shanghai Banking Corporation Ltd.)	50 BANK STREET, CANARY WHARF, LONDON E145NT, UK	448	2.52
MSIP CLIENT SECURITIES (Standing agent: Morgan Stanley MUFG Securities Co., Ltd.)	25 CABOT SQUARE, CANARY WHARF, LONDON E144QA, UK	424	2.39
Shofu Employee Stock Ownership Association	11 Kamitakamatsu-cho, Fukuine, Higashiyama-ku, Kyoto. c/o SHOFU INC.	350	1.97
SCREEN Holdings Co., Ltd.	1-1 Tenjinkita-machi, Teranouchi-agaru 4-chome, Horikawa-dori, Kamigyo-ku, Kyoto	330	1.85
Total	-	8,439	47.56

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

The Master Trust Bank of Japan, Ltd. (Trust Account) 866,000 shares

Japan Custody Bank, Ltd. (Trust Account) 479,000 shares

(7) Status of voting rights

1) Shares issued

As of March 31, 2024

Classification	Number of shares (shares)	Number of voting rights (units)	Description
Shares without voting rights	-	-	-
Shares with restricted voting rights (treasury stock, etc.)	-	-	-
Shares with restricted voting rights (other)	-	-	-
Shares with full voting rights (treasury stock, etc.)	(Treasury stock) Common stock 151,100	-	-
Shares with full voting rights (other)	Common stock 17,721,800	177,218	-
Shares of less than a standard unit	Common stock 21,189	-	Shares less than one unit (100 shares)
Total number of issued shares	17,894,089	-	-
Total voting rights held by all shareholders	-	177,218	-

Note: Common stock in the "Shares less than one unit" column include 14 shares of treasury stock owned by the Company.

2) Treasury stock, etc.

As of March 31, 2024

Name of shareholder	Address of shareholder	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total number of shares held (shares)	Percentage of interest (%)
(Treasury stock) SHOFU INC.	11 Kamitakamatsu-cho, Fukuine, Higashiyama-ku, Kyoto	151,100	-	151,100	0.84
Total	-	151,100	-	151,100	0.84

2. Acquisition of treasury stock, etc.

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

- (1) Acquisition of treasury stock by resolution of the General Meeting of Shareholders

Not applicable.

- (2) Acquisition of treasury stock by resolution of the Board of Directors

Not applicable.

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

Classification	Number of shares (shares)	Total value (million yen)
Treasury stock acquired during the current fiscal year	469	1
Treasury stock acquired during the period until the filing date of this Annual Securities Report	120	0

Note: Treasury stock acquired during the period until the filing date of this Annual Securities report does not include the number of shares acquired through the purchase of shares less than one unit from June 1, 2024, to the filing date of this Annual Securities Report.

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

Classification	Current fiscal year		Current period	
	Number of shares (shares)	Total disposal value (million yen)	Number of shares (shares)	Total disposal value (million yen)
Acquired treasury stock for which subscribers were solicited	-	-	-	-
Acquired treasury stock which was retired	-	-	-	-
Acquired treasury stock transferred in connection with a merger, share exchange, share delivery, or company split	-	-	-	-
Other (Exercise of stock options)	18,700	19	-	-
Other (Disposal of treasury stock through restricted stock compensation)	23,562	55	-	-
Other (Sale due to demand for sale of shares constituting less than one full time unit etc.)	-	-	-	-
Number of shares of treasury stock held	151,114	-	151,234	-

Note: The number of shares of treasury stock held during the current period does not include the number of shares acquired through the purchase of shares less than one unit from June 1, 2024, to the filing date of this Annual Securities Report.

3. Dividend policy

The Company's basic policy is to maintain and continue stable dividends while aiming to improve long-term corporate value and return profits to shareholders, but at the same time, the Company will consider enhancing internal reserves to prepare for future aggressive business development, such as expansion of overseas business and R & D investment for new product development, while strengthening the management foundation and improving the financial structure. As an indicator of profit distribution, we have been aiming for a Consolidated payout ratio of 30% or more and a dividend on equity (DOE) ratio of 1.7%.

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

The year-end dividend for the current fiscal year will be 42 yen per share (on the number of shares before the stock split effective on October 1, 2024), and including the interim dividend of 20 yen already paid, the annual dividend will be 62 yen.

For the next fiscal year and beyond, with the aim of enhancing returns to shareholders, the Company will aim for a consolidated payout ratio of at least 40% and a dividend on equity (DOE) ratio of at least 3.0%.

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

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

Date of resolution	Total dividend amount (million yen)	Dividend per share (yen)
November 2, 2023	354	20.00
May 17, 2024	745	42.00

4. Corporate governance

(1) Overview of corporate governance

1) Basic corporate governance policy

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

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

2) Specific measures

A. Details of the Company's organizational structure

(a) Board of Directors

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

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

Names of members

- Directors

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

- Auditors

Shigeyuki Komatsu, Hiroyuki Hatayama, Yoko Yamada, Hiromi Mukai

(Activities of the Board of Directors)

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

Name	Number of meetings	Number attended
Noriyuki Negoro	17	17
Tetsuo Takami	17	17
Wataru Fujishima	4	3
Fumitaka Yamazaki	17	17
Kazuhiko Murakami	17	17
Kiichi Suzuki	17	17
Takahiro Umeda	13	13
Kenji Nishida	4	4
Daizo Nishimura	17	17
Hiromi Hayashida	17	16
Akira Kawashima	17	17
Shigeyuki Komatsu	17	17
Yasushi Sakemi	17	17
Mitsuo Kamimoto	17	17
Yoko Yamada	13	13

1. The number of meetings of the Board of Directors held before Wataru Fujishima and Kenji Nishida retired was four (4).
2. The number of meetings of the Board of Directors held since Takahiro Umeda and Yoko Yamada were appointed was 13.
3. The number of Board meetings attended by Mitsuo Kamimoto includes attendance as an outside auditor prior to his appointment as an outside director on June 27, 2023.

Specific matters discussed by the Board of Directors include the Fifth Medium-Term Management Plan, the annual management plan, the response to the TCFD Recommendations, the sale of strategic-shareholdings, human rights policy, the establishment of a subsidiary, the reconstruction of the head office factory, the determination of director and auditor appointments and compensation, reports on the results of internal audits, and reports on the execution of duties by directors with executive responsibilities.

(b) Managing Executive Board

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

The Managing Executive Board Directors reviews and makes decisions on particularly important matters, including reviews of matters submitted to the Board of Directors, matters delegated by the Board of Directors, and other strategic matters related to management.

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

Names of members

- Directors

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

- Auditors

Shigeyuki Komatsu, Hiroyuki Hatayama

- Executive Officers (excluding concurrent positions as directors)

Kazuhiko Murakami, Shinya Teramoto, Ryuichi Yoshimoto

(c) Audit & Supervisory Board

The Company has adopted an Audit & Supervisory Board system. The Audit & Supervisory Board, which consists of four (4) auditors (as of the end of this fiscal year) including two (2) outside auditors and conducts audits of the execution of duties by directors and the business and financial conditions of the Company and group companies.

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

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

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

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

Name of members

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

(d) Corporate Governance Meeting

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

Name of members

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

(e) Nomination and Compensation Council

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

Name of members

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

Activities of the Nomination and Compensation Council

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

Name	Number of meetings	Number attended
Kiichi Suzuki	3	3
Noriyuki Negoro	3	3
Tetsuo Takami	3	3
Kenji Nishida	1	1
Daizo Nishimura	3	3
Mitsuo Kamimoto	2	2

* The number of meetings of the Nomination and Compensation Council held before Kenji Nishida retired was one (1).

* The number of meetings of the Nomination and Compensation Council held since Mitsuo Kamimoto was appointed was two (2).

Specific matters to be discussed at the Nomination and Compensation Council include the selection of directors, the appointment of representative directors and directors with executive responsibilities, the compensation of directors, and the skill matrix.

(f) Management Committee

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

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

Names of members

Hiro Yoshi Miyake (Executive Officer, General Manager of Corporate Planning Department), Tetsuo Takami, Kazuhiko Murakami, Fumitaka Yamazaki, Takahiro Umeda, Shuji Sono, Shinya Teramoto, Ryuichi Yoshimoto, Yoshikazu Nakajima, Toshiyuki Nakatsuka, Takashi Wakayama, Junichi Sugawara, Michinori Matsunaga
13 other employees, etc.

(g) Personnel Committee

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

Names of members

Shinya Teramoto (Managing Executive Officer in charge of Personnel, General Manager of Personnel Department),
Hiro Yoshi Miyake, Michinori Matsunaga 11 other employees

(h) Sustainability Committee

The Sustainability Committee consists of all executive officers President Executive Officer and below, all general managers, and all presidents of domestic subsidiaries, and meets twice a year in principle. The Sustainability Committee deliberates on matters such as the formulation of basic sustainability policies, strategies and plans, and the setting of target indicators, and monitors the status of initiatives.

Like the Management Committee, it does not have decision-making authority.

Names of members

Tetsuo Takami (Representative Director & President, President Executive Officer), Kazuhiko Murakami, Fumitaka Yamazaki, Takahiro Umeda, Shuji Sonoi, Shinya Teramoto, Ryuichi Yoshimoto, Yoshikazu Nakajima, Toshiyuki Nakatsuka, Takashi Wakayama, Junichi Sugawara, Hiroyoshi Miyake, Tomonori Matsunaga 14 other employees, etc.

(i) Information Security Committee

The Information Security Committee consists of all executive officers, President Executive Officer and below, all general managers, and all presidents of domestic subsidiaries, and meets once a year in principle. The Information Security Committee deliberates on information security, including the formulation of basic information security policies, strategies and plans, and the evaluation of the status of compliance with information security policies.

Like the Management Committee, it does not have decision-making authority.

Names of members

Tetsuo Takami (Representative Director & President, President Executive Officer), Kazuhiko Murakami, Fumitaka Yamazaki, Takahiro Umeda, Shuji Sonoi, Shinya Teramoto, Ryuichi Yoshimoto, Yoshikazu Nakajima, Toshiyuki Nakatsuka, Takashi Wakayama, Junichi Sugawara, Hiroyoshi Miyake, Michinori Matsunaga 13 other employees, etc.

(j) Internal Audit Department

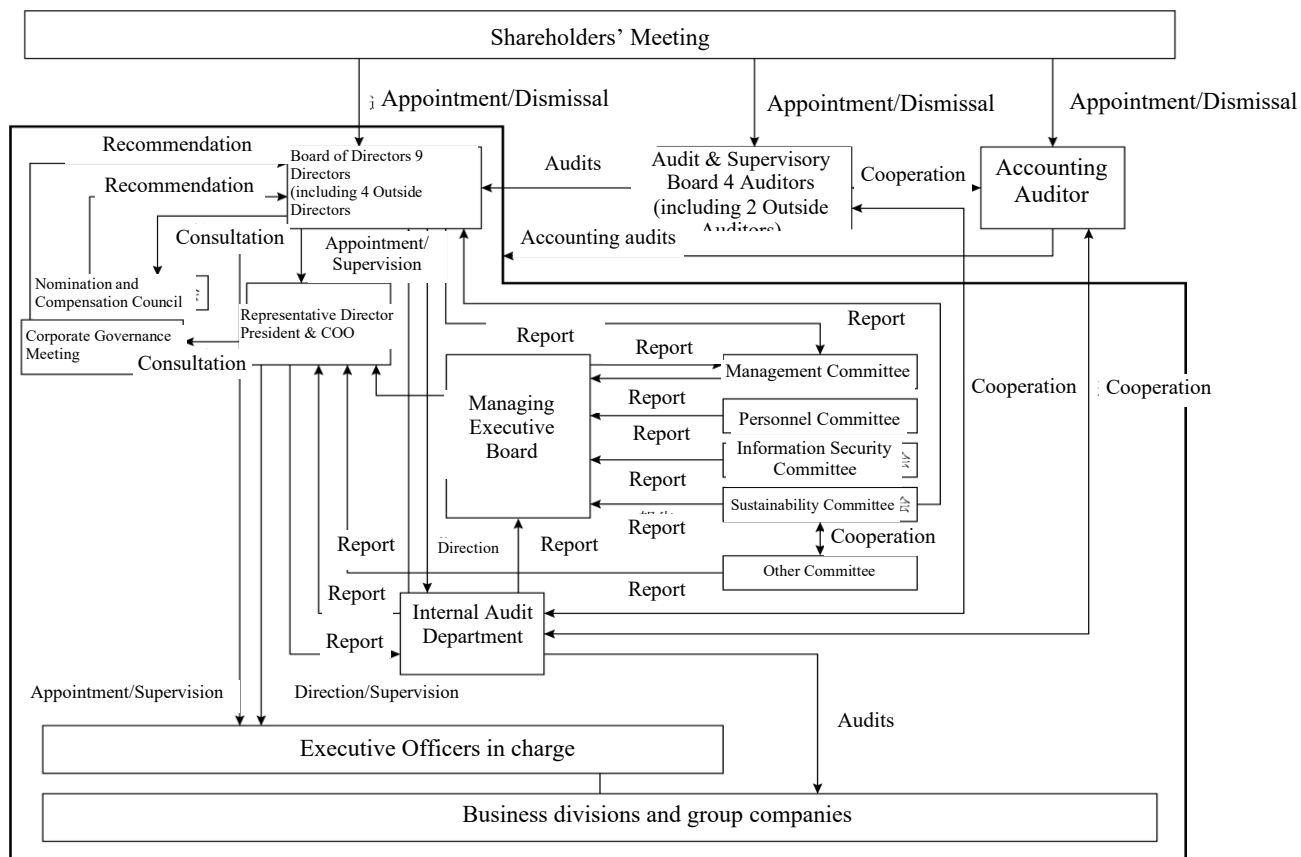
The Internal Audit Department (5 members as of the end of this fiscal year) has been established as a department in charge of internal audits and reports directly to the President. The Internal Audit Department conducts audits of all departments of the Company and Group companies with respect to the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

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

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

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

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



B. Basic policy on internal control system and its status

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

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

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

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

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

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

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

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

For risks related to the Group's compliance, quality, environment, disasters, information security, credit, etc., each department in charge shall establish regulations and guidelines, conduct education and training, and prepare and distribute manuals, etc. Through these activities, the Company shall endeavor to grasp risks related to the operations it is in charge of at an early stage, take necessary measures to avoid risks and minimize risks, and take measures in cooperation with the relevant departments.

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

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

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

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

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

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

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

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

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

In order to enhance the corporate value and management efficiency of the Group as a whole and fulfill its social

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

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

The Company and its subsidiaries shall ensure the appropriate operation of the establishment, evaluation and reporting of the "Internal Control of Financial Reporting" system as stipulated in the Financial Instruments and Exchange Act. In addition, for subsidiaries, the Internal Audit Department of the Company shall conduct internal audits, and the auditors shall conduct audits.

Each subsidiary shall regularly report to the Company on the status of its business execution and financial conditions, etc.

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

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

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

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

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

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

c. Information disclosure

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

d. Outline of contents of liability limitation agreement

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

e. Outline of officers' liability insurance policies

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

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

f. Number of directors

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

g. Requirements for election of directors

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

h. Decision making body that determines the dividends of surplus

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

i. Requirements for special resolutions of the General Meeting of Shareholders

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

j. Basic policy regarding control of the Company

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

I Details of basic policy

The Board of Directors of the Company believes that, as long as the Company freely allows its shares to trade as a public company, the final decision as to whether or not to sell its shares in response to a large-scale purchase by a specific person should be left to the judgment of the shareholders who hold the Company's shares.

However, in the management of the Company, which is an international manufacturer of dental materials, it is essential to understand the Company's tangible and intangible management resources, the potential effects of measures for the future, the social mission given to the Company to contribute to dental care around the world and contribute to people's "health" and "beauty" through this, and the components of the Group's corporate value. In order to continuously maintain and improve these, the Company believes that it is essential to take measures with a medium - to long-term perspective centered on the source of the Group's corporate value. If the person(s) who controls decisions on the Company's financial and business policies do(es) not implement such measures from a medium - to long-term perspective, the Group's corporate value and, in turn, the common interests of shareholders and the interests of all stakeholders involved in the Group may be damaged.

The Company strives to conduct IR activities to ensure that shareholders and investors understand the appropriate value of the Company's shares, but in the event of a sudden large-scale purchase, it is essential that appropriate and sufficient information is provided by both the purchaser and the Board of Directors of the Company in order for shareholders to make an appropriate decision within a short period of time as to whether or not to accept the large-scale purchase by the large-scale purchaser, including whether or not the purchase price for the Company's shares presented by the purchaser is reasonable. Furthermore, the Company believes that information such as the impact of such a purchase on the Group, the content of the management policy and business plan when the purchaser participates in the management of the Group, and the opinions of the Board of Directors of the Company on such a purchase will be important information for shareholders who intend to continue to hold the Company's shares when considering whether or not to continue to hold the Company's shares.

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

In line with its corporate philosophy of "contribution to dentistry through innovative business activities," the Company strives to enhance its corporate value based on the action guidelines of focusing on quality and expanding quantity and taking on the challenge of change. In addition, in order to realize consolidated net sales of ¥50 billion and consolidated operating profit of ¥7.5 billion, the Group will shift the allocation of management resources to mainly overseas and expand our overseas business in order to capture demand in developed countries markets such as Europe and North America and emerging countries markets where living standards are expected to improve along with economic growth. As specific measures, the Group formulated the SHOFU Group Fourth Medium-Term Management Plan and will strive to enhance corporate value and the common interests of shareholders through the following priority measures: 1) development of new products aligned with local demand and needs, 2)

reallocation of production sites and expansion of overseas production, 3) development of sales networks and sales offices and building of domestic and overseas academic networks, 4) developing and securing human resources to actively promote overseas development, 5) promotion of M&A, 6) strengthening the Group's governance structure, and 7) our business alliances with Mitsui Chemicals, Inc. and Sun Medical Inc.

In addition, for the purpose of strengthening our management structure and our corporate governance structure, the number of directors was increased from eight (8) to nine (9) at the Ordinary General Meeting of Shareholders held in June 2020, and the number of outside directors with abundant experience was increased from two (2) to four (4) (including three (3) independent outside directors). As a result, the ratio of independent outside director increased to one third (1/3), and in December 2021, the Company revised its Corporate Governance Guidelines to stipulate that the ratio of independent outside directors on the Board of Directors shall be one third or more.

The Company believes that one of the main roles of independent outside directors is to provide advice based on their knowledge, supervise management through the appointment and dismissal of the senior management and other important decisions of the Board of Directors, supervise conflicts of interest, and appropriately reflect the opinions of stakeholders in the Board of Directors. Furthermore, the Company has established its own independence standards for outside directors and outside auditors to ensure their independence. In addition, the Company has established the Nomination and Compensation Council, which consists of the representative directors and independent outside directors (who represent a majority), in order to strengthen the fairness, transparency and objectivity of the procedures concerning the nomination and compensation, etc. of directors. The Company has also established the Corporate Governance Committee, which consists of the representative directors and the independent outside directors, in order to have constructive discussions on management strategies and management plans, etc. and provide reports to the Board of Directors in order to achieve sustainable growth and increase corporate value over the medium to long term. In addition, the Company has established the Sustainability Committee, which consists of the all executive officers President Executive Officer and below, general managers of each department, and the presidents of domestic subsidiaries. The Sustainability Committee deliberates on matters such as the formulation of basic sustainability policies, strategies and plans, and the setting of target indicators, monitors the status of initiatives, and reports and makes recommendations to the Board of Directors.

In order to provide directors and auditors with the knowledge and information they need at the time of and after their appointment, the Company conducts officer training as appropriate, including the use of external training, etc.

In addition to the establishment of such systems, the Company believes that the enhancement of information disclosure will fulfill an effective function for corporate governance, and by disclosing various corporate information in a timely, appropriate and proactive manner, the Company intends to enhance the checking function from shareholders and other external parties and enhance the transparency of management.

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

At a meeting of the Board of Directors held on May 11, 2022, the Company resolved to continue the "Policy on countermeasures to large-scale purchases of the Company's shares, etc." (the "Policy") in light of the basic policy regarding control of the Company described in I.

The Policy is intended to prevent any purchase of the Company's shares, etc. by a specific shareholder group with the aim of obtaining over 20% of voting rights, or any purchase of the Company's shares, etc. that would effectively give a specific shareholder group over 20% of voting rights (this policy does not distinguish between methods of obtaining such shares, whether it be through market transactions, public tends and offerings, or other methods, but excluding any purchase by a person who has obtained prior consent from the Board of Directors of the Company). Such purchase is hereinafter referred to as a "Large-Scale Purchase" and the person conducting such purchase is hereinafter referred to as a "Large-Scale Purchaser". In the event of a Large-Scale Purchase, the Large-Scale Purchaser shall 1) provide the Board of Directors with necessary and sufficient information regarding the Large-Scale Purchase in advance, (2) allow the Board of Directors a certain period of time to evaluate the information, and 3) allow the Board of Directors or General Meeting of Shareholders to make a decision on countermeasures such as the issuance of stock acquisition rights before commencing the Large-Scale Purchase. The purpose of the issuance of stock acquisition rights, etc. is to ensure and enhance the Company's corporate value and, in turn, the common interests of its shareholders by deterring Large-Scale Purchases that materially damage the Company's corporate value and, in turn, the common interests of its shareholders. As of the end of March 2022, the Company's largest shareholder, Mitsui Chemicals, Inc., holds 20.00% of the Company's shares. However, the Company has built a friendly relationship with Mitsui Chemicals, Inc. as a major shareholder of the Company based on a business and capital alliance with the company and is not subject to the Policy at this time.

In the event of a Large-Scale Purchase of the Company's shares, etc., first, the Large-Scale Purchaser is required to submit a letter of intent to the representative directors of the Company stating an outline of the Large-Scale Purchaser and the Large-Scale Purchase and that it will comply with the Rules on Large-Scale Purchase. Furthermore, within ten (10) business days after receiving the letter of intent, the Board of Directors of the Company will provide a list of necessary information request to the Large-Scale

Purchaser, in order to provide information necessary for shareholders to make decisions and for the Board of Directors of the Company to form opinions. However, from the perspective of speeding up the provision of information by the Large-Scale Purchaser and avoiding arbitrary operations such as the Board of Directors of the Company continuously requesting the provision of information, the information provision period will be limited to 60 days from the day following the day on which the list of necessary information is delivered to the Large-Scale Purchaser, and even if the necessary information is not sufficiently submitted, communication with the Large-Scale Purchaser regarding the provision of information will be terminated at the time of expiration of the information provision period.

Next, depending on the level of difficulty of the evaluation of the Large-Scale Purchase, after the Large-Scale Purchaser has completed the provision of the aforementioned necessary information to the Board of Directors of the Company or after the expiration of the information provision period, a period of 60 days (in the case of a purchase of all shares of the Company through a tender offer in which the consideration is cash only (Japanese yen)) or a period of 90 days (in the case of other Large-Scale Purchases) (which may be extended by up to 30 days) shall be set aside for the Board of Directors to evaluate, examine, negotiate, form an opinion, and draft an alternative proposal.

The Board of Directors of the Company will fully evaluate and consider the information provided by the Large-Scale Purchaser while receiving advice from experts, etc., and, after giving the utmost respect to the recommendations of the Corporate Value Evaluation Committee described below, will compile and announce its opinion. In addition, as necessary, the Board of Directors of the Company may negotiate with the Large-Scale Purchaser to improve the conditions for the Large-Scale Purchase or present an alternative proposal.

The Company's Board of Directors will establish a Corporate Value Evaluation Committee consisting of members appointed from among the Company's outside directors, the Company's outside auditors and outside experts, who are independent from the Company's management in charge of business execution, as an advisory body for the proper operation of the Policy and the prevention of arbitrary decisions by the Company's Board of Directors. The Board of Directors will consult with the Corporate Value Evaluation Committee when making important decisions concerning the Policy, such as whether or not to take countermeasures because a Large-Scale Purchaser does not comply with the Rules on Large-Scale Purchase, whether or not to take countermeasures because a Large-Scale Purchase is deemed to significantly damage the Company's corporate value and, in turn, the common interests of shareholders, and whether or not to consult the General Meeting of Shareholders regarding whether or not to take countermeasures. The Corporate Value Evaluation Committee shall recommend the Board of Directors of the Company to consult with the General Meeting of Shareholders regarding whether or not to implement countermeasures, such as the issuance of stock acquisition rights, except in the following cases: 1) when a Large-Scale Purchaser does not comply with the Rule of Large-Scale Purchases triggering countermeasures, 2) when a Large-Scale Purchase by a Large-Scale Purchaser is deemed to significantly damage the Company's corporate value and, in turn, the common interests of shareholders triggering countermeasures, and 3) when countermeasures are not recommended as a result of the evaluation and examination of the Large-Scale Purchase or the content of its proposal.

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

Since the continuation of the Policy was approved at the Ordinary General Meeting of Shareholders held on June 24, 2022, the effective period of the Policy shall be until the conclusion of the Ordinary General Meeting of Shareholders relating to the last fiscal year ending within three (3) years from the date of the said Ordinary General Meeting of Shareholders, and thereafter, the renewal of the Policy (including continuation with partial amendments) shall be subject to the approval of the Company's General Meeting of Shareholders. Even during the effective period of the Policy, the Company may revise the Policy from time to time in light of the development of relevant laws and regulations and the listing system stipulated by the financial instruments exchanges from the perspective of ensuring and enhancing the corporate value and, in turn, the common interests of shareholders.

For details regarding this policy, please refer to the press release dated May 11, 2022, which is posted on our company website (address: <https://www.shofu.co.jp/ir/>).

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

As stated in II. above, effective use of the Company's assets, formation of an appropriate corporate group and other special measures to realize the basic policy on control of the Company are specific measures to enhance the Company's corporate value and the common interests of shareholders and are not for the purpose of maintaining the position of the Company's officers and are in line with the basic policy of the Company.

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

(2) Status of directors (and other officers)

1) List of directors

11 male, 2 female (female ratio 15.4%)

Title	Name	Date of birth	Career summary		Term of office	Number of shares held
Representative Director & Chairman	Noriyuki Negoro	March 9, 1956	March 1981	Joined the Company	Note 3	93,870
			June 2003	Director, General Manager of Research & Development Department		
			July 2007	Managing Director, General Manager of Research & Development Department		
			June 2008	Managing Director, Research & Development, Quality Assurance and Production, General Manager of Research & Development Department		
			April 2009	Managing Director, Research & Development, Quality Assurance and Production		
			June 2009	President (Representative Director)		
			June 2015	Representative Director, President & CEO		
			June 2022	Representative Director, Chairman & CEO (to present)		
Representative Director & President President Executive Officer	Tetsuo Takami	June 22, 1960	March 1983	Joined the Company	Note 3	35,436
			June 2012	General Manager of Sales Department		
			April 2015	General Manager of Sales Department, Tokyo Branch		
			June 2015	Executive Officer, General Manager of Sales Department, Tokyo Branch		
			April 2018	Executive Officer, General Manager of Sales Department, General Manager of Tokyo Branch		
			April 2019	Executive Officer, General Manager of Sales Department		
			June 2019	Managing Executive Officer, General Manager of Sales Department		
			June 2020	Director, Managing Executive Officer, Sales, General Manager of Sales Department		
			April 2021	Director, Managing Executive Officer, Sales		
			June 2022	Representative Director & President, President Executive Officer (to present)		
Director, Senior Managing Executive Officer, Corporate Planning	Fumitaka Yamazaki	May 27, 1961	March 1981	Joined the Company	Note 3	37,517
			April 2008	General Manager of Corporate Planning Department		
			June 2011	Executive Officer, General Manager of Corporate Planning Department		
			June 2013	Director, Corporate Planning		
			June 2015	Director, Managing Executive Officer, Corporate Planning		
			June 2022	Director, Senior Managing Executive Officer, Production, Corporate Planning		
Director, Senior Managing Executive Officer, Finance, General Affairs, Nail Care Business	Takahiro Umeda	February 13, 1960	June 2013	Branch Manager, Fukuchiyama Branch, The Bank of Kyoto Ltd.	Note 3	24,303
			March 2015	Joined the Company		
			April 2015	General Manager of Finance Department		
			June 2016	Executive Officer, General Manager of Finance Department		
			June 2019	Managing Executive Officer, General Manager of Finance Department		
			June 2020	Managing Executive Officer, Finance General Manager of Finance Department		
			June 2022	Senior Managing Executive Officer, Finance		
			June 2023	Director, Senior Managing Executive Officer, Finance, General Affairs, Nail Care Business (to present)		

Title	Name	Date of birth	Career summary		Term of office	Number of shares held
Director, Managing Executive Officer, Production	Shuji Sono i	March 31, 1971	April 1995 April 2018 April 2020 June 2020 April 2022 June 2024	Joined the Company Merz Dental GmbH Executive Director General Manager on Special Assignment of Production Department Executive Officer, General Manager on Special Assignment of Production Department Executive Officer, General Manager of Production Department Outside Director of Sun Medical Co., Ltd. (retired in June 2023) Director, Managing Executive Officer, Production (to present)	Note 3	6,426
Director	Kiichi Suzuki	May 23, 1949	April 1973 June 2003 April 2007 June 2007 June 2009 April 2012 April 2013 April 2015 June 2015	Joined Mitsui Toatsu Chemicals, Inc. (now Mitsui Chemicals, Inc.) Executive officer, Mitsui Chemicals, Inc. Managing Executive Officer, Mitsui Chemicals, Inc. Managing Director, Mitsui Chemicals, Inc. Senior Managing Director, Mitsui Chemicals, Inc. Director, Senior Managing Executive Officer, Mitsui Chemicals, Inc. Director, Mitsui Chemicals, Inc. (retired in June 2013) Representative Director & Chairman, Mitsui Chemicals Agro, Inc. Senior Advisor, Mitsui Chemicals Agro, Inc. (retired in June 2017) Director of the Company (to present)	Note 3	16,382
Director	Daizo Nishimura	May 5, 1959	October 1987 March 1991 April 1994 January 1998 March 2004 June 2012 June 2020	Joined Audit Firm Asahi Shinwa Accounting Company (now KPMG AZSA LLC) Registered as a Certificated Public Accountant Opened Nishimura Certified Public Accountant Office (to present) Registered as a Tax Accountant Opened Daizo Nishimura Tax Accounting Office (to present) Member, Ohtemae Audit Corporation Representative Member, Ohtemae Audit Corporation (to present) Auditor of Kyoto Sangyo University (retired in May 2020) Director, the company (to present)	Note 3	2,220
Director	Mitsuo Kamimoto	May 21, 1947	October 1970 July 1973 May 1990 February 1997 June 2002 September 2008 June 2009 June 2015 June 2023	Joined Tetsuzo Ota Audit Office (now Ernest & Young ShinNihon LLC) Registered as a Certificated Public Accountant Representative Member of Ota Showa Ota Audit Corporation (now Ernst & Young ShinNihon LLC) Registered as a Tax Accountant Executive Director and Head of Osaka Office, ShinNihon LLC (now Ernst & Young ShinNihon LLC) (retired in August 2008) Opened Kamimoto Certified Public Accountant Office (to present) Opened Kamimoto Tax Accounting Office (to present) Outside auditor, Elecom Co., Ltd. (retired in June 2017) Auditor, the Company Director, the Company (to present)	Note 3	3,223

Title	Name	Date of birth	Career summary		Term of office	Number of shares held
Director	Hiromi Hayashida	April 2, 1964	April 1989	Joined Mitsui Toatsu Chemicals, Inc (now Mitsui Chemicals, Inc.)	Note 3	-
			April 2013	Executive Vice President, Mitsui Chemicals America, Inc (retired in March 2017)		
			June 2014	Director, Anderson Development Company (retired in March 2017)		
			October 2017	Senior Vice President, Kulzer LLC (retired in June 2018)		
			July 2018	Managing Director (retired in March 2022), Senior Vice President (retired in March 2021), Kulzer GmbH		
			April 2020	Senior Director, Mitsui Chemicals, Inc.		
			April 2021	Executive Officer, Vice General Manager of Healthcare Business Division, Mitsui Chemicals, Inc.		
			April 2022	Executive Officer, Vice General Manager of Life & Healthcare Solutions Division, General Manager of Oral Care Business Unit, Mitsui Chemicals, Inc.		
			June 2022	Director, the Company (to present)		
			April 2023	Executive Officer, Vice General Manager of Life & Healthcare Solution Division, Mitsui Chemicals, Inc. (to present)		
			October 2023	Director, Mitsui Chemicals Asahi Life Materials Co., Ltd. (to present)		
Full-time Auditor	Shigeyuki Komatsu	May 31, 1958	March 1983	Joined the Company	Note 4	10,715
			June 2008	General Manager of Quality Assurance Department		
			April 2011	Representative Director & President, Shoken Inc. (SHOFU Products Kyoto, Inc.)		
			April 2013	General Manager on Special Assignment of Production Department		
			June 2018	General Manager on Special Assignment of Production Department		
			June 2019	General Manager of Nail Care Business		
			June 2022	Full-time Auditor (to present)		
Full-time Auditor	Hiroyuki Hatayama	January 2, 1962	March 1982	Joined the Company	Note 6	2,664
			June 2012	Senior Manager of Information Systems Section, Finance Department		
			April 2020	Assistant General Manager on Special Assignment of Finance Department		
			October 2020	General Manager of General Affairs Department, Shiga SHOFU Inc		
			May 2022	Director, General Manager of General Affairs Department, Shiga SHOFU Inc.		
			June 2024	Full-time auditor (to present)		
Auditor	Yoko Yamada	March 5, 1957	April 1996	Joined Certified Public Accountant Hiroharu Shikata Office (retired in December 2007)	Note 5	610
			April 2000	Registered as a Certificated Public Accountant		
			December 2002	Registered as a Certificated Public Accountant		
			January 2008	Opened Certified Public Accountant and Tax Accountant Yoko Yamada Office (to present)		
			June 2022	Chairperson, Keiji Office, Japanese Institute of Certified Public Accountants (to present)		
June 2023	Auditor, the Company (to present)					
Auditor	Hiromi Mukai	October 11, 1975	October 2001	Registration as an attorney Joined Taniguchi Law & Accounting Office (now Taniguchi Law Office) (retired in September 2009)	Note 6	-
			October 2009	Joined Akai & Okada Law Office (now Okumura Okada Partners) (retired in December 2017)		
			January 2018	Opened Kawaramachi Law Office (to present)		
			June 2024	Auditor, the Company (to present)		
Total						233,366

- Notes: 1. Directors Kiichi Suzuki, Daizo Nishimura, Mitsuo Kamimoto and Hiromi Hayashida are Outside Directors.
2. Auditors Yoko Yamada and Hiromi Mukai are Outside Auditors.
3. The term of office of each director shall be from the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2024, to the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2025.
4. The term of office of Auditor Shigeyuki Komatsu will be from the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2022, to the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2026.
5. The term of office of Auditor Yoko Yamada will be from the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2023, to the conclusion of the Ordinary General Meeting of Shareholders for the

fiscal year ending March 31, 2027.

6. The terms of office of Auditors Hiroyuki Hatayama and Hiromi Mukai will be from the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2024, to the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2028.
7. The Company has appointed one (1) substitute Auditor in preparation for the case where the number of Auditors falls below the number required by laws and regulations. The career summary of the substitute Auditor is as follows.

Name	Date of birth	Career summary	Number of shares held
K y o k o K o b a y a s h i	July 22, 1972	<p>April 1999 Registration as an attorney Joined Irokawa Law Office</p> <p>September 2009 Seconded to Legal Affairs Office, Sharp Corporation</p> <p>September 2014 Returned to Irokawa Law Office</p> <p>January 2018 Partner, Irokawa Law Office (to present)</p> <p>February 2018 Outside Auditor, Kawakami Paint Manufacturing Co., Ltd. (to present)</p> <p>June 2020 Outside Director, Mitsubishi Logisnext Co., Ltd. (to present)</p> <p>June 2021 Outside Director (Audit & Supervisory Committee member), Nippon Pillar Packing Co., Ltd. (to present)</p>	-

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

8. The Company has introduced an executive officer system. The Company has further clarified the separation of the decision-making function and supervisory function of the Board of Directors from the business execution function, and appointed directors who also serve as a person responsible for business execution as executive officers, thereby speeding up decision-making and clarifying responsibilities. Executive officers other than the above executive officers who concurrently serve as Directors are as follows.

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

2) Relationship with outside directors and outside auditors

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

Outside Director Kiichi Suzuki has served as a Senior Managing Director of Mitsui Chemicals, Inc., which is an important business partner of the Company, and has extensive experience as a corporate manager. The Company appointed him for the reason that he is expected to supervise the Company's management appropriately from an objective standpoint and contribute to the improvement of the Company's corporate value by giving advice, etc. based on his experience and insight as a corporate executive. The Company has designated him as an independent officer. Until March 2013, he was an executive of Mitsui Chemicals, Inc., which is a major shareholder of the Company. Also, he has no personal, capital or business relationships or other interests with the Company except for the holding of the Company's shares.

Outside Director Daizo Nishimura is familiar with finance and accounting as a certified public accountant and a tax accountant and has sufficient insight to govern corporate management. The Company appointed him for the reason that he is expected to supervise the Company's management appropriately from an objective standpoint and contribute to the improvement of the Company's corporate value by giving advice, etc. based on his experience and insight. The Company has designated him as an independent officer. Also, he has no personal, capital or business relationships or other interests with the Company except for the holding of the Company's shares.

Outside Director Mitsuo Kamimoto is familiar with finance and accounting as a certified public accountant and tax accountant and has sufficient insight to govern corporate management. The Company appointed him for the reason that he is expected to supervise the Company's management appropriately from an objective standpoint and contribute to the improvement of the Company's corporate value by giving advice, etc. based on his experience and insight. The Company has designated him as an independent officer. Also, he has no personal, capital or business relationships or other interests with the Company except for the holding of the Company's shares.

Outside Director Hiromi Hayashida has deep knowledge in the healthcare field centering on dental care through his work at Mitsui Chemicals, Inc., an important business partner of the Company. The Company has appointed him for the reason that he will be able to appropriately supervise the Company's management and contribute to the improvement of the Company's corporate value by providing advice, etc. based on his experience and insight.

Although he is an executive of Mitsui Chemicals, Inc., which is a major shareholder of the Company, he has no personal, capital or business relationships or other interests with the Company.

The Company has appointed two Outside Auditors (Yoko Yamada, Hiromi Mukai).

Outside Auditor Yoko Yamada is well-versed in finance and accounting as a certified public accountant and a tax accountant, and has sufficient insight to govern corporate management, and as such the Company has therefore judged that she will be able to appropriately execute the duties of an outside auditor and has designated her as an independent officer. Also, she has no personal, capital, business relationships or other interests with the Company except for the holding of the Company's shares.

Outside Auditor Hiromi Mukai, is well versed in corporate legal affairs as an attorney at law, and has sufficient insight to govern corporate management, and as such, the Company has determined that she will be able to appropriately execute the duties of an outside auditor. The Company has designated her as an independent officer. Also, she has no other personal, capital or business relationships, or other interests.

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

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

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

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

The auditors receive explanations from the Accounting Auditor regarding audit plans and audit results, and also attend interim audits, year-end audits, and physical inventory audits as needed. Through these and other means, the auditors and the accounting auditor work together to grasp the status of the implementation of accounting audits and to ensure and maintain the appropriateness of financial statements and internal controls. In addition, the auditors exchange audit information and enhance the function of audits by the auditors by receiving explanations and reports on audit plans and audit results as needed from the Internal Audit Department in charge of internal audits. Also, outside directors and auditors regularly exchange information (including information from the Internal Audit Department and the Accounting Auditor, etc.) and hold discussions on management to enhance mutual cooperation.

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

(3) Status of audits

1) Status of audits by Audit & Supervisory Board

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

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

b. Activities of Audit & Supervisory Board and its members

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

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

Name	Number of meetings	Number attended
Akira Kawashima (full-time)	15	15
Shigeyuki Komatsu (full-time)	15	15
Yasushi Sakemi (outside)	15	15
Mitsuo Kamimoto (outside)	3	3
Yoko Yamada (outside)	12	12

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

The number of Audit & Supervisory Board meetings attended by Mitsuo Kamimoto is the number attended as an outside auditor before his appointment as an outside director as of June 27, 2023.

Yoko Yamada was appointed at the Ordinary General Meeting of Shareholders held on June 27, 2023.

Specific matters discussed by the Audit & Supervisory Board

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

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

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

Activities of full-time auditors

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

2) Status of internal audits

The Company has established the Internal Audit Department (five people as of the end of this fiscal year) under the direct control of the President as a department in charge of internal audits. The Internal Audit Department conducts audits of all departments of the Company and Group companies with respect to the status of the development and operation of various systems related to business management, the rationality and legality of business activities, the appropriateness of accounting records, the status of the development and operation of internal checking functions, and other matters.

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

The Internal Audit Department communicates and discusses the results of internal audits with the Audit & Supervisory Board and the Accounting Auditor as needed and promotes initiatives to enhance the audit function based on their cooperation.

3) Status of accounting audits

a. Name of audit firm

Ernst & Young ShinNihon LLC

b. Continuous audit period

Since 1971

c. Certified public accountants engaged in the audit

Designated Liability-Limited Partner and Engagement Partner, Hideyuki Goto

Designated Liability-Limited Partner and Engagement Partner, Toru Fukutake

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

d. Composition of assistants for audit services

Six certified public accountants and eight others

e. Audit firm selection policy and rationale

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

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

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

4) Details of audit fees, etc.

a. Compensation for certified public accountants, etc.

Category	Previous consolidated fiscal year		Current consolidated fiscal year	
	Audit and attestation services (million yen)	Non-audit services (million yen)	Audit and attestation services (million yen)	Non-audit services (million yen)
The Company	38	-	40	-
Consolidated subsidiaries	-	-	-	-
Total	38	-	40	-

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

Category	Previous consolidated fiscal year		Current consolidated fiscal year	
	Audit and attestation services (million yen)	Non-audit services (million yen)	Audit and attestation services (million yen)	Non-audit services (million yen)
The Company	-	10	-	10
Consolidated subsidiaries	-	-	-	-
Total	-	10	-	10

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

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

Not applicable

Current consolidated fiscal year

Not applicable

d. Policy for determining audit compensation

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

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

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

(4) Compensation for directors and auditors

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

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

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

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

- Basic compensation

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

- Performance-linked compensation, etc.

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

- Non-monetary compensation, etc.

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

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

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

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

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

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

a. Director compensation

It was resolved at the one hundred forty third Ordinary General Meeting of Shareholders held on June 25, 2015, that the total amount of compensation for Directors, including bonuses, shall not exceed 300 million yen per year (of which no more than 30 million yen shall be paid to outside director) (excluding the employee salaries of directors who concurrently serve as employees).

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

b. Auditor compensation

Compensation for auditors consists only of fixed compensation from the perspective of placing emphasis on independence and objectivity with respect to management, and the level of compensation, etc. is paid according to the role in consideration of the levels of other companies according to a survey by an external expert organization. The amount of compensation for each auditor is determined through discussions among the auditors.

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

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

Officer category	Total amount of compensation, etc. (million yen)	Total amount by type of compensation (million yen)			Number of officers
		Monetary compensation		Non-monetary compensation, etc.	
		Fixed compensation	Performance-linked compensation	Restricted stock compensation	
Directors (excluding outside directors)	253	156	63	33	6
Auditors (excluding outside auditors)	36	36	-	-	2
Outside officers	39	39	-	-	7

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

2. The above number includes one director, one outside Director and one outside auditor who retired at the conclusion of the 151st Ordinary General Meeting of Shareholders held on June 27, 2023. After retiring as outside auditor Mitsuo Kamimoto was appointed as an outside director, he is counted as one outside officer.

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

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

(5) Equity securities held

1) Criteria and concept for the classification of investment shares

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

2) Investment shares held for purposes other than pure investment

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

Holding policy

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

Method of verifying the rationality of strategic-shareholdings

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

Details of verification by the Board of Directors, etc. as of March 2024

The Board of Directors examined individual investees in which the Company holds shares. As a result, the investees fall

under the category of investees with which the Company has maintained and improved business relationships in terms of product supply and business execution, etc., and investees in which the Company recognizes the appropriateness of holding shares in terms of return compared with the Company's capital cost in that year, and the Company has determined that the holding of shares is appropriate.

b. Number of stocks and balance sheet amount

	Number of stocks	Total amount on balance sheet (million yen)
Unlisted shares	3	20
Shares excluding unlisted shares	14	8,899

Stocks whose number of shares increased in this fiscal year

	Number of stocks	Total acquisition cost related to increase in number of shares (million yen)
Unlisted shares	-	-
Shares excluding unlisted shares	-	-

Stocks whose number of shares decreased in this fiscal year

	Number of stocks	Total sale proceeds related to decrease in number of shares (million yen)
Unlisted shares	-	-
Shares excluding unlisted shares	3	405

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

Stock name	Cuurent fiscal year	Previous fiscal year	Purpose of holding, outline of the business alliance, etc., quantitative effect of holding, and reason for the increase in the number of shares	Holding of the Company's shares
	Number of shares	Number of shares		
	Amount on balance sheet (million yen)	Amount on balance sheet (million yen)		
Screen Holdings Co., Ltd.	171,200	85,600	To maintain and strengthen our business relationship with a supplier of packaging materials necessary for execution of the Company's business, as well as a local company including the exchange of information, etc..	Yes
	3,418	997		
Kyoto Financial Group, Inc.	502,424	125,605	To enhance corporate value by strengthening our management base and expanding our scope of business, it is necessary to maintain stable financial transaction relationships.	Yes
	1,387	785		
Nakanishi Inc.	510,000	510,000	To expand the Company's business and enhance its corporate value over the medium to long term by strengthening the relationship with a seller and supplier of dental materials and equipment.	Yes
	1,201	1,339		
Nippon Shinyaku Co., Ltd.	244,000	244,000	To enhance the Company's corporate value over the medium to long term by maintaining and strengthening relationships with a company in a similar industry through information exchange, etc.	Yes
	1,090	1,422		
The Shiga Bank, Ltd.	100,260	100,260	To enhance corporate value by strengthening our management base and expanding our scope of business, it is necessary to maintain stable financial transaction relationships.	Yes
	420	268		
Takebishi Corp.	200,000	200,000	To maintain and strengthen our business relationship with a supplier of facility related equipment necessary for execution of the Company's business, as well as a local company including the exchange of information, etc..	Yes
	408	347		
Falco Holdings Co., Ltd.	75,920	75,920	To enhance the Company's corporate value over the medium to long term by maintaining and strengthening relationships with a company in a similar industry through information exchange, etc.	Yes
	177	149		
Sumitomo Mitsui Financial Group, Inc.	17,386	17,386	To enhance corporate value by strengthening our management base and expanding our scope of business, it is necessary to maintain stable financial transaction relationships.	Yes
	154	92		
Seiwa Electric Mfg. Co., Ltd.	231,000	231,000	To maintain and strengthen the business relationship with a supplier of research materials necessary for the execution of the Company's business, as well as a local company including the exchange of information, etc..	Yes
	130	109		
Sumitomo Mitsui Trust Holdings, Inc.	37,028	26,514	To enhance corporate value by strengthening our management base and expanding our scope of business, it is necessary to maintain stable financial transaction relationships.	Yes
	122	120		
Toyo Tec Co., Ltd.	85,000	85,000	To maintain and strengthen a close relationship with a subcontractor of security services, which is necessary for the execution of the Company's business.	Yes
	108	81		
Chuo Warehouse Co., Ltd.	83,300	83,300	To maintain and strengthen the business relationship with a supplier of warehouse and transport services necessary for the execution of the Company's business, as well as a local company including the exchange of information, etc..	Yes
	95	90		
Kyoto Tool Co., Ltd.	33,800	33,800	As a local company, it is necessary to maintain and strengthen relationships mainly by exchanging information.	Yes
	94	67		
Tokio Marine Holdings, Inc.	18,900	18,900	To enhance corporate value by strengthening our management base and expanding our scope of business, it is necessary to maintain stable financial transaction relationships.	Yes
	88	48		
Ono Pharmaceutical Co., Ltd.	-	112,000	Sold during this fiscal year.	No
	-	309		
Mani, Inc.	-	36,000	Sold during this fiscal year.	No
	-	65		

Notes: 1. It is difficult to provide quantitative holding effect. The rationality of holding shares is verified as stated in "2) a. Method of verifying the holding policy and the rationality of holding, and the verification by the Board of Directors, etc. regarding the appropriateness of holding individual stock." As a result of verification as of March 31, 2024, the Board of Directors has confirmed that the shares are held for the purpose of complying with the holding policy.
2. The Bank of Kyoto, Ltd, became a wholly-owned subsidiary of Kyoto Financial Group, Inc through a share transfer on October 2, 2023.
3. Kyoto Financial Group, Inc. conducted a 4-for-1 stock split on January 1, 2024.
4. Sumitomo Mitsui Trust Holdings, Inc, conducted a 2-for-1 stock split on January 1, 2024. 5. Screen Holdings Co., Ltd. conducted a 2-for-1 stock split on October 1, 2023.

3) Investment equity securities held for pure
investment Not applicable

5. Financial Information

1. Preparation of Consolidated Financial Statements and Financial Statements

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

2. Audit Certification

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company's consolidated financial statements for the consolidated fiscal year (April 1, 2023 to March 31, 2024) and financial statements for the fiscal year (April 1, 2023 to March 31, 2024) have been audited by EY ShinNihon LLC.

3. Special Efforts to Ensure the Appropriateness of Consolidated Financial Statements

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

1 Consolidated financial statements

(1) Consolidated financial statements

1) Consolidated balance sheet

(million yen)

	Previous fiscal Year (as of March 31, 2023)	Current fiscal year (as of March 31, 2024)
Assets		
Current assets		
Cash and deposits	9,578	9,716
Notes receivable-trade	220	222
Accounts receivable-trade	3,273	4,316
Merchandises and finished goods	5,854	7,312
Work in process	1,413	1,741
Raw materials and supplies	1,124	1,237
Other	775	648
Allowance for doubtful accounts	(19)	(15)
Total current assets	22,220	25,179
Non-current assets		
Property, plant and equipment		
Buildings and structures	11,501	11,958
Accumulated depreciation	(6,249)	(6,705)
Buildings and structures, net	5,252	5,252
Machinery, equipment and vehicles	5,077	5,462
Accumulated depreciation	(3,947)	(4,132)
Machinery, equipment and vehicles, net	1,130	1,330
Land	2,442	2,546
Construction in progress	259	115
Other	4,683	5,133
Accumulated depreciation	(3,772)	(4,143)
Other, net	910	989
Total property, plant and equipment	9,995	10,234
Intangible assets	462	524
Investments and other assets		
Investment securities	※ 1 9,049	※ 1 11,553
Deferred tax assets	148	158
Net defined benefit asset	1,316	1,875
Other	538	574
Allowance for doubtful accounts	(5)	(6)
Total investments and other assets	11,047	14,155
Total non-current assets	21,506	24,914
Total assets	43,727	50,093

(million yen)

	Previous fiscal Year (as of March 31, 2023)	Current fiscal year (as of March 31, 2024)
Liabilities		
Current liabilities		
Accounts payable-trade	1,011	1,378
Current portion of long-term borrowings	907	281
Income taxes payable	780	880
Contract liabilities	6	75
Provision for bonuses for directors	64	63
Other	3,178	2,914
Total current liabilities	5,949	5,593
Noncurrent liabilities		
Long-term borrowings	281	-
Deferred tax liabilities	1,150	2,023
Net defined benefit liability	207	228
Other	622	638
Total non-current liabilities	2,262	2,890
Total liabilities	8,211	8,484
Net assets		
Shareholders' equity		
Capital stock	5,968	5,968
Capital surplus	6,142	6,134
Retained earnings	18,406	20,964
Treasury shares	(379)	(297)
Total shareholders' equity	30,138	32,770
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,201	5,094
Foreign currency translation adjustment	1,348	2,620
Remeasurements of defined benefit plans	655	963
Total accumulated other comprehensive income	5,204	8,678
Subscription rights to shares	99	79
Non-controlling interests	73	82
Total net assets	35,515	41,609
Total liabilities and net assets	43,727	50,093

2) Consolidated statements of income and comprehensive income

Consolidated statement of income

(million yen)

	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Net sales	※1 31,678	※1 35,080
Cost of sales	※2 12,979	※2 14,084
Gross profit	18,699	20,995
Selling, general and administrative expenses	※3,※4 14,874	※3,※4 16,286
Operating income	3,824	4,709
Non-operating income		
Interest income	43	66
Dividend income	155	185
Foreign exchange gains	178	225
Share of profit of entities accounted for using equity method	9	-
Membership fee income	114	136
Other	153	221
Total non-operating income	654	834
Non-operating expenses		
Interest expenses	18	22
Membership fee	181	291
Share of loss of entities accounted for using equity method	-	7
Other	41	104
Total non-operating expenses	240	425
Ordinary income	4,238	5,118
Extraordinary income		
Gain on sales of investment securities	59	285
Settlement received	112	-
Recovery from wire fraud at overseas subsidiary	-	52
Total extraordinary income	171	337
Extraordinary losses		
Impairment losses	-	※6 173
Total extraordinary losses	-	173
Net income before income taxes	4,410	5,282
Income taxes - current	1,344	1,698
Income taxes - deferred	(94)	(93)
Income taxes	1,250	1,604
Net income	3,160	3,677
Net income attributable to non-controlling interests	24	21
Net income attributable to owners of parent	3,135	3,655

Consolidated statement of comprehensive income

(million yen)

	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Net income	3,160	3,677
Other comprehensive income		
Valuation difference on available-for-sale securities	(225)	1,893
Foreign currency translation adjustment	636	1,277
Remeasurements of defined benefit plans, net of tax	13	308
Total other comprehensive income	※1 424	※1 3,479
Comprehensive income	3,584	7,157
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	3,558	7,130
Comprehensive income attributable to non-controlling interests	26	27

3) Consolidated statement of changes in net assets
Previous fiscal year (April 1, 2022 to March 31, 2023)

(million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,968	6,123	16,001	(115)	27,978
Cumulative effects of changes in accounting policies					
Dividend of surplus			(730)		(730)
Net income attributable to owners of parent			3,135		3,135
Purchase of treasury shares				(322)	(322)
Disposal of treasury shares		19		58	78
Net changes of items other than shareholders' equity					
Total changes of items during period	-	19	2,405	(264)	2,160
Balance at end of current period	5,968	6,142	18,406	(379)	30,138

	Accumulated other comprehensive income				Subscription rights to shares	Noncontrolling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	3,426	713	641	4,781	116	64	32,940
Cumulative effects of changes in accounting policies							
Dividends of surplus							(730)
Net income attributable to owners of parent							3,135
Purchase of treasury shares							(322)
Disposal of treasury shares							78
Net changes of items other than shareholders' equity	(225)	634	13	422	(16)	8	414
Total changes of items during period	(225)	634	13	422	(16)	8	2,575
Balance at end of current period	3,201	1,348	655	5,204	99	73	35,515

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

(million yen)

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

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

4) Consolidated statement of cash flows

(million yen)

	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Net cash provided by (used in) operating activities		
Net income before income taxes	4,410	5,282
Depreciation	971	1,168
Impairment loss	-	173
Increase (decrease) in allowance for doubtful accounts	9	(4)
Increase (decrease) in net defined benefit liability	(128)	(101)
Interest and dividend income	(198)	(251)
Interest expenses	18	22
Foreign exchange losses (gains)	(3)	(41)
Loss (gain) on sales of investment securities	(59)	(285)
Share of loss (profit) of entities accounted for using equity metho	(9)	7
Settlement income	(112)	-
Gain on recovery of remittance fraud at overseas subsidiary	-	(52)
Decrease (increase) in notes and accounts receivable - trad)	(114)	(834)
Decrease (increase) in inventories	(572)	(1,302)
Increase (decrease) in notes and accounts payable - trade	(3)	78
Other, net	(188)	396
Subtotal	4,019	4,255
Interest and dividend income received	287	346
Interest expenses paid	(15)	(22)
Income taxes paid	(1,141)	(1,584)
Settlement received	21	42
Recovery of remittance fraud at overseas subsidiary received	-	52
Net cash provided by (used in) operating activities	3,170	3,089
Cash flows from investing activities		
Payments into time deposits	(883)	(701)
Proceeds from withdrawal of time deposits	994	759
Purchase of property, plant and equipment	(1,545)	(1,616)
Proceeds from sales of property, plant and equipment	5	3
Purchase of intangible assets	(87)	(95)
Proceeds from sales of investment securities	233	405
Payments of loans receivable	(16)	(6)
Collection of loans receivable	15	10
Other, net	(7)	(54)
Net cash provided by (used in) investing activities	(1,290)	(1,295)
Cash flows from financing activities		
Repayments of lease obligations	(62)	(13)
Repayments of long-term loans payable	(325)	(964)
Decrease (increase) in treasury shares	(322)	(1)
Cash dividends paid	(730)	(1,098)
Dividends paid to non-controlling interests	(17)	(18)
Proceeds from exercise of share options	0	0
Net cash provided by (used in) financing activities	(1,457)	(2,096)
Effect of exchange rate change on cash and cash equivalents	199	496
Net increase (decrease) in cash and cash equivalents	622	193
Cash and cash equivalents at beginning of period	8,208	8,830
Cash and cash equivalents at end of period	※1 8,830	※1 9,024

Notes to consolidated financial statements

Basis of presenting consolidated financial statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 18

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

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

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

Reason for exclusion from the scope of consolidation

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

2 Application of equity method

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

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

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

Reason the equity method is not applied

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

3. Accounting periods of consolidated subsidiaries

Of the consolidated subsidiaries, the balance sheet date of Shanghai SHOFU Dental Materials Co., Ltd. and SHOFU Dental Trading (Shanghai) Co., Ltd. is December 31.

In preparing the consolidated financial statements, the financial statements for the fiscal years of the consolidated subsidiaries are used. However, the Company performs the necessary adjustments for important transactions which occurred after the date of consolidated closing of accounts for consolidation purposes.

4. Matters relating to accounting policies

(1) Valuation methods for assets

1) Securities

Other securities

Shares, etc. excluding those without market price

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

Shares, etc. without market price

Mainly stated at cost by the moving-average method

2) Inventories

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

3) Derivatives

Market value method

(2) Depreciation method for significant depreciable assets

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

The declining-balance method is mainly applied. However, the straight-line method is used for facilities attached to buildings and structures acquired on or after April 1, 2016.

The main useful lives are summarized as follows:

Buildings and structures 2 to 60 years

Machinery, equipment and vehicles: 3 to 17 years

2) Intangible fixed assets (excluding leased assets):

Straight-line method

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

3) Leased assets

Leased assets for finance lease transaction other than title transfer

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

The financial statements of overseas consolidated subsidiaries are prepared in accordance with International Financial Reporting Standards, and International Financial Reporting Standard 16 "Leases" (hereinafter referred to as "IFRS 16") is applied. In accordance with IFRS 16, in principle, all leases are accounted for as assets and liabilities in the balance sheet, and capitalized right-of-use assets are depreciated using the straight-line method.

(3) Accounting policy for significant reserves

1) Allowance for doubtful accounts

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

2) Provision for directors' bonuses

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

(4) Accounting policy for retirement benefits

1) Attributing projected retirement benefits to periods of service

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

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

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

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

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

(5) Reporting of significant revenue and expenses

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

1) Dental Business

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

2) Nail Care Business

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

For export sales, revenue is recognized at the time of shipment of goods and products when the shipment of goods and products is completed based on the trade terms and conditions, as control over the goods and products is transferred to the customer and performance obligations are satisfied.

3) Other Businesses

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

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

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

- (7) Amortization method and amortization period of goodwill

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

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

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

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

- 1) Accounting for non-deductible consumption taxes on assets

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

- 2) Application of the group aggregation system

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

Unapplied new accounting standards

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022)
- Accounting Standard for Presentation of Comprehensive income (ASBJ Statement No. 25, October 28, 2022)
- Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

- (1) Overview

Provides for the classification of income taxes when Other Comprehensive income is taxed and the treatment of tax effects on the sale of shares of subsidiaries, etc. when the group income tax system is applied.

- (2) Scheduled date of application

It is scheduled to be applied from the beginning of the fiscal year ending March 31, 2025.

- (3) Effects of application of the accounting standards

The effect of the application of the Accounting Standard for Current Income Taxes on the consolidated financial statements is currently being evaluated.

Notes to consolidated balance sheets

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

	Previous consolidated fiscal year (March 31, 2023)	Current consolidated fiscal year (March 31, 2024)
Investment securities (shares)	2,734 million yen	2,633 million yen

2. Commitment line agreements

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

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

	Previous consolidated fiscal year (March 31, 2023)	Current consolidated fiscal year (March 31, 2024)
Total amount of commitment line	2,000 million yen	2,000 million yen
Outstanding balance	- million yen	- million yen
Balance	2,000 million yen	2,000 million yen

Notes to consolidated statement of income

※1. Revenue from contracts with customers

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

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

Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (April 1, 2023 to March 31, 2024)
118 million yen	130 million yen

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

Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (April 1, 2023 to March 31, 2024)
1,846 million yen	1,927 million yen

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

	Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (April 1, 2023 to March 31, 2024)
Officers' compensation and salary allowances	4,848 million yen	5,229 million yen
Research and development expenses	1,846 million yen	1,927 million yen

※5. Impairment losses

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

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

(1) Background to recognition of impairment loss

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

(2) Method of grouping assets

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

(3) Method of calculating the recoverable amount

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

Notes to consolidated statement of comprehensive income

※1. Reclassification adjustments and tax effects concerning other comprehensive income

	Previous consolidated fiscal year (April 1, 2022 to March31, 2023)	Current consolidated fiscal year (April 1, 20223to March31, 2024)
Valuation difference on available-for-sale securities		
Amount arising during the period	(264) million yen	3,010 million yen
Reclassification adjustments	(59) million yen	(285) million yen
Before tax effect adjustment	(324) million yen	2,725 million yen
Tax effect amount	99 million yen	(832) million yen
Valuation difference on available-for-sale securities	(225) million yen	1,893 million yen
Foreign currency translation adjustment		
Amount arising during the period	636 million yen	1,277 million yen
Reclassification adjustments	- million yen	- million yen
Before tax effect adjustment	636 million yen	1,277 million yen
Tax effect amount	- million yen	- million yen
Foreign currency translation adjustment	636 million yen	1,277 million yen
Remeasurements of defined benefit plans		
Amount arising during the period	160 million yen	567 million yen
Reclassification adjustments	(145) million yen	(122) million yen
Before tax effect adjustment	15 million yen	444 million yen
Tax effect amount	(2) million yen	(135) million yen
Remeasurements of defined benefit plans	13 million yen	308 million yen
Total other comprehensive income	424 million yen	3,479 million yen

Notes to consolidated statement of changes in equity

Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)

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

Class of shares	Number of shares at the beginning of the consolidated fiscal year (thousand shares)	Increase in number of shares during the consolidated fiscal year (thousand shares)	Decrease in number of shares during the consolidated fiscal year (thousand shares)	Number of shares at the end of the consolidated fiscal year (thousand shares)
Issued shares Common stock	17,894	-	-	17,894
Treasury shares Common stock	105	140	53	192

Notes: 1. The increase of 140 thousand shares of treasury shares of common stock was due to an increase of 140 thousand shares due to the purchase of treasury shares and an increase of 0 thousand shares due to the purchase of shares of less than a standard unit.

2. The decrease of 53 thousand shares of treasury shares of common stock was due to the disposal of treasury shares as restricted stock compensation of 37 thousand shares and the exercise of stock options of 15 thousand shares.

2. Matters relating to share subscription rights and treasury share subscription rights

Company	Description	Class of shares to be issued	Number of shares to be issued (thousand shares)				Balance at the end of the consolidated fiscal year (million yen)
			Beginning of the consolidated fiscal year	Increase	Decrease	End of the consolidated fiscal year	
The Company	Share subscription rights as stock option	-	-	-	-	-	99
Total			-	-	-	-	99

3. Matters related to dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
May 20, 2022, Board of Directors	Common stock	462	26.00	March 31, 2022	June 6, 2022
November 2, 2022, Board of Directors	Common stock	267	15.00	September 30, 2022	November 30, 2022

Note: The dividend per share of 26.00 yen includes a commemorative dividend of 2.00 yen for the 100th anniversary of the founding of the Company.

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

Resolution	Class of shares	Total dividends (million yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
May 19, 2023, Board of Directors	Common stock	743	Retained earnings	42.00	March 31, 2023	June 7, 2023

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

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

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

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

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

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

2. Matters relating to share subscription rights and treasury share subscription rights

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

3. Matter related to dividends

(1) Dividends paid

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

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

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

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

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

	Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (April 1, 2023 to March 31, 2024)
Cash and deposits	9,578 million yen	9,716 million yen
Time deposits with maturities of more than three months	(747) million yen	(692) million yen
Cash and cash equivalents	8,830 million	9,024 million

Notes to lease transactions

Finance lease transactions

Finance lease transactions without transfer of ownership

(1) Details of lease assets

- Property, plant and equipment

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

- Intangible assets

Software.

(2) Depreciation method for leased assets

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

Financial instruments

1. Financial instruments

(1) Policies on financial instruments

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

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

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

Among investment securities, stocks are exposed to market price fluctuation risks, but they are mainly stocks of companies with which the Company has business relationships, and their market values are reported to the members of the Managing Executive Board every month.

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

Long-term loans payable are funds procured mainly for the purpose of long-term working capital, etc.

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

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

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

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

2. Fair value of financial instruments

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

Previous consolidated fiscal year (March 31, 2023)

	Amount recorded on the consolidated balance sheets (*) (million yen)	Fair value (*) (million yen)	Difference (million yen)
(1) Notes receivable - trade	220	220	-
(2) Accounts receivable - trade	3,273	3,273	-
(3) Investment securities Other securities	6,293	6,293	-
(4) Accounts payable -trade	(1,011)	(1,011)	-
(5) Long-term loans payable (including the current portion of long-term loans payable)	(1,189)	(1,164)	(24)

(*) Figure in parentheses are recorded as liabilities.

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

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

(million yen)	
Classification	March 31, 2023
Shares of affiliated companies (*)	2,734
Unlisted stocks	20

(*) Equity method affiliates are included in shares of affiliated companies.

Current consolidated fiscal year (March 31, 2024)

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

(*) Figure in parentheses are recorded as liabilities.

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

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

(million yen)

Classification	March 31, 2024
Shares of affiliated companies	2,633
Unlisted stocks	20

Equity method affiliates are included in shares of affiliated companies.

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

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

Previous consolidated fiscal year (March 31, 2023)

	Within one year (million yen)	Over one year but within five years (million yen)	Over five years but within ten years (million yen)	Later than ten years (million yen)
Cash and deposits	9,578	-	-	-
Notes receivable - trade	220	-	-	-
Accounts receivable - trade	3,273	-	-	-
Total	13,071	-	-	-

Current consolidated fiscal year (March 31, 2024)

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

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

Previous consolidated fiscal year (March 31, 2023)

	Within one year (million yen)	Over one year but within two years (million yen)	Over two years but within three years (million yen)	Over three years but within four years (million yen)	Over four years but within five years (million yen)	Over five years (million yen)
Long-term loans payable (Including current portion of long-term loans payable)	907	281	-	-	-	-
Total	907	281	-	-	-	-

Current consolidated fiscal year (March 31, 2024)

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

3. Fair value of financial instruments by level

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

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

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

Level 3: Fair value determined using unobservable inputs

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

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

Previous consolidated fiscal year (March 31, 2023)

Classification	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stocks	6,293	-	-	6,293
Total assets	6,293	-	-	6,293

Current consolidated fiscal year (March 31, 2024)

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

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

Previous consolidated fiscal year (March 31, 2023)

Classification	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Notes receivable - trade	-	220	-	220
Accounts receivable -trade	-	3,273	-	3,273
Total assets	-	3,493	-	3,493
Accounts payable -trade	-	1,011	-	1,011
Long-term loans payable (including current portion of long-term loans payable)	-	1,164	-	1,164
Total liabilities	-	2,175	-	2,175

Current consolidated fiscal year (March 31, 2024)

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

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

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

Derivatives

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

Notes and accounts receivable - trade

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

Long-term loans payable (Including current portion of long-term loans payable)

Fair values are calculated using the discounted present value method based on the total amount of principal and interest and the interest rate that takes into account the remaining period of the obligation and credit risk and are classified as Level 2 fair values.

Securities

1. Other securities

Previous consolidated fiscal year (March 31, 2023)

Classification	Consolidated carrying amount on balance sheet date (million yen)	Acquisition cost (million yen)	Difference (million yen)
Securities with carrying value exceeding acquisition cost			
(1) Stocks	6,293	1,724	4,568
(2) Other	-	-	-
Subtotal	6,293	1,724	4,568
Securities with market value not exceeding acquisition cost			
(1) Stocks	-	-	-
(2) Other	-	-	-
Subtotal	-	-	-
Total	6,293	1,724	4,568

Current consolidated fiscal year (March 31, 2024)

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

2. Other securities sold during the consolidated fiscal year

Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)

Classification	Proceeds from sales (million yen)	Total gain on sales (million yen)	Total loss on sales (million yen)
Stocks	233	59	-
Total	233	59	-

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

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

3. Securities for which an impairment loss was recognized

Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)

Not applicable

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

Not applicable

Derivatives transactions

1. Derivative transactions for which hedge accounting is not adopted Currency-related transactions

Previous consolidated fiscal year (March 31, 2023)

Not applicable

Current consolidated fiscal year (March 31, 2024)

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

2. Derivative transactions for which hedge accounting is adopted

Previous consolidated fiscal year (March 31, 2023)

Not applicable

Current consolidated fiscal year (March 31, 2024)

Not applicable

Retirement benefits

Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)

1. Description of retirement benefit plans adopted

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

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

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

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

Multi-employer pension plan

The required contribution amount to the multi-employer pension plan, which is accounted for in the same manner as a defined contribution plan, is 6 million yen.

(1) Most recent funding update of multi-employer pension plan (as of March 31, 2022)

Total pension assets	3,951 million yen
Actuarial liabilities for pension obligation	3,874 million yen
	<hr/> 77 million yen

(2) Ratio of the Group's contributions to total contributions to the multi-employer pension plan (April 1, 2021 to March 31, 2022)

2.558 %

(3) Supplementary explanation

The main factor for the difference in (1) above is a separate reserve (77 million yen for the consolidated fiscal year).

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

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

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

Retirement benefit obligations at beginning of year	3,781 million yen
Service cost	201 million yen
Interest cost	19 million yen
Actuarial gains (losses)	(198) million yen
Retirement benefits paid	(189) million yen
Effects of foreign exchange translation	12 million yen
Retirement benefit obligations at end of year	3,625 million yen

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

Pension assets at beginning of year	4,894 million yen
Expected return on plan assets	48 million yen
Actuarial gains (losses)	(40) million yen
Contribution from employers	155 million yen
Retirement benefits paid	(189) million yen
Effects of foreign exchange translation	4 million yen
Pension assets at end of year	4,872 million yen

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

Retirement benefit obligations of funded plans	3,625 million yen
Pension assets	(4,872) million yen
Net defined benefit liabilities and assets reported on the consolidated balance sheet	(1,246) million yen
Net defined benefit liability	70 million yen
Net defined benefit asset	(1,316) million yen
Net defined benefit liabilities and assets reported on the consolidated balance sheet	(1,246) million yen

(4) Breakdown of retirement benefit expenses

Service cost	201 million yen
Interest cost	19 million yen
Expected return on plan assets	(48) million yen
Net actuarial losses recognized for the year	(145) million yen
Amortization of past service costs	- million yen
Retirement benefit expenses related to defined benefit plans	26 million yen

(5) Remeasurements of defined benefit plans

Breakdown of remeasurements of defined benefit plans before related tax effects is as follows: Prior service cost	
service cost	- million yen
Actuarial gains (losses)	12 million yen
Total	12 million yen

(6) Accumulated remeasurements of defined benefit plans

Breakdown of accumulated remeasurements of defined benefit plans before related tax effects is as follows:	
Unrecognized prior service cost	- million yen
Unrecognized actuarial gains (losses)	(895) million yen
Total	(895) million yen

(7) Matters related to pension assets

1) Major components of pension assets

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

Bonds	45%
Stocks	30%
Life insurance general accounts	23%
Other	2%
Total	100%

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

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

(8) Assumptions used in actuarial calculations

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

Discount rate	0.6%
Expected long-term return on plan assets	1.0%
Forecast salary increase	2.7%

3. Defined-benefit plans adopting a simplified method

(1) Reconciliation of the beginning and ending balances of retirement benefit obligations for plans applying a simplified method

Retirement benefit obligations at beginning of year	128 million yen
Retirement benefit expenses	22 million yen
Retirement benefits paid	(0) million yen
Contributions to plans	(11) million yen
Retirement benefit obligations at end of year	137 million yen

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

Retirement benefit obligations for funded plans	283 million yen
Pension assets	(145) million yen
Net liabilities and assets recorded on the consolidated balance sheets	137 million yen
Net defined benefit liability	137 million yen
Net liabilities and assets recorded on the consolidated balance sheets	137 million yen

(3) Retirement benefit expenses

Retirement benefit expenses calculated using a simplified method 22 million yen

4. Defined contribution plans

The required amount of contribution to the Group's defined contribution plans was 106 million yen.

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

1. Description of retirement benefit plans adopted

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

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

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

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

Multi-employer pension plan

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

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

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

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

(3) Supplementary explanation

The main factor for the difference in (1) above is a separate reserve (110 million yen) for the consolidated fiscal year. The ratio set forth in the above-mentioned (2) is not consistent with the actual payment of the Group.

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

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

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

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

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

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

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

(4) Breakdown of retirement benefit expenses

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

(5) Remeasurements of defined benefit plans

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

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

(6) Accumulated remeasurements of defined benefit plans

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

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

(7) Matters related to pension assets

1) Major components of pension assets

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

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

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

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

- (8) Assumptions used in actuarial calculations
Principal actuarial assumptions used in calculations at the end of the consolidated fiscal year (weighted average)
- | | |
|--|------|
| Discount rate | 1.0% |
| Expected long-term return on plan assets | 1.0% |
| Forecast salary increase | 2.7% |

3. Defined-benefit pension plans using a simplified method

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

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

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

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

- (3) Retirement benefit expenses

Retirement benefit expenses calculated using the simplified method 22 million yen

4. Defined contribution plans

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

Stock options, etc.

1. Account and amount recorded as expenses

	Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (from April 1, 2023 to March 31, 2024)
Cost of sales	- million yen	- million yen
Selling, general and administrative expenses	- million yen	- million yen

2 Description, size and other changes of stock options

(1) Description of stock options

Company	The Company
Date of resolution	June 28, 2011
Category and number of grantees	Directors of the Company: 6 Executive Officers of the Company: 11
Type and number of granted shares	Common stock 35,000 shares
Date of grant	July 14, 2011
Vesting conditions	No vesting conditions are attached. If a director retires prior to the date of the Ordinary General Meeting of Shareholders in June 2012, he or she may only exercise the number of stock acquisition rights obtained by dividing the number obtained by multiplying the number of stock acquisition rights granted by the number of months in office from July 2011 to the month including the date of retirement by 12, and the remaining stock acquisition rights must be forfeited. In addition, if an executive officer retires on or before the last day of March 2012, he or she may only exercise stock acquisition rights in the number obtained by dividing by nine the number obtained by multiplying the number of stock acquisition rights granted by the number of months in office from July 2011 to the month including the date of retirement, and the remaining stock acquisition rights must be forfeited. Other details are provided in the "Stock Acquisition Rights Allotment Agreement" entered into between the Company and the grantees.
Years of service covered	There is no requisite service period.
Exercise period	July 15, 2011 - July 14, 2041

Company	The Company
Date of resolution	June 27, 2012
Category and number of grantees	Directors of the Company: 7 Executive Officers of the Company: 8
Type and number of granted shares	Common stock 33,300 shares
Date of grant	July 13, 2012
Vesting conditions	No vesting conditions are attached. If a director retires prior to the date of the Ordinary General Meeting of Shareholders in June 2013, he or she may only exercise the number of stock acquisition rights obtained by dividing the number obtained by multiplying the number of stock acquisition rights granted by the number of months in office from July 2012 to the month including the date of retirement by 12, and the remaining stock acquisition rights must be forfeited. In addition, if an executive officer retires on or before the last day of March 2013, he or she may only exercise stock acquisition rights in the number obtained by dividing by nine the number obtained by multiplying the number of stock acquisition rights granted by the number of months in office from July 2012 to the month including the date of retirement, and the remaining stock acquisition rights must be forfeited. Other details are provided in the "Stock Acquisition Rights Allotment Agreement" entered into between the Company and the grantees.
Years of service covered	There is no requisite service period.
Exercise period	July 14, 2012 - July 13, 2042

Company	The Company
Date of resolution	June 26, 2013
Category and number of grantees	Directors of the Company: 7 Executive Officers of the Company: 10
Type and number of granted shares	Common stock 32,500 shares
Date of grant	July 17, 2013
Vesting conditions	<p>No vesting conditions are attached.</p> <p>If a director retires prior to the date of the Ordinary General Meeting of Shareholders in June 2014, he or she may only exercise the number of stock acquisition rights obtained by dividing the number obtained by multiplying the number of stock acquisition rights granted by the number of months in office from July 2013 to the month including the date of retirement by 12, and the remaining stock acquisition rights must be forfeited.</p> <p>In addition, if an executive officer retires on or before the last day of March 2014, he or she may only exercise stock acquisition rights in the number obtained by dividing by nine the number obtained by multiplying the number of stock acquisition rights granted by the number of months in office from July 2013 to the month including the date of retirement, and the remaining stock acquisition rights must be forfeited.</p> <p>Other details are provided in the "Stock Acquisition Rights Allotment Agreement" entered into between the Company and the grantees.</p>
Years of service covered	There is no requisite service period.
Exercise period	July 18, 2013 - July 17, 2043

Company	The Company
Date of resolution	June 26, 2014
Category and number of grantees	Directors of the Company: 7 Executive Officers of the Company: 8
Type and number of granted shares	Common stock 30,300 shares
Date of grant	July 15, 2014
Vesting conditions	<p>No vesting conditions are attached.</p> <p>If a director retires prior to the date of the Ordinary General Meeting of Shareholders in June 2015, he or she may only exercise the number of stock acquisition rights obtained by dividing the number obtained by multiplying the number of stock acquisition rights granted by the number of months in office from July 2014 to the month including the date of retirement by 12, and the remaining stock acquisition rights must be forfeited.</p> <p>In addition, if an executive officer retires on or before the last day of March 2015, he or she may only exercise stock acquisition rights in the number obtained by dividing by nine the number obtained by multiplying the number of stock acquisition rights granted by the number of months in office from July 2014 to the month including the date of retirement, and the remaining stock acquisition rights must be forfeited.</p> <p>Other details are provided in the "Stock Acquisition Rights Allotment Agreement" entered into between the Company and the grantees.</p>
Years of service covered	There is no requisite service period.
Exercise period	July 16, 2014 - July 15, 2044

Company	The Company
Date of resolution	June 25, 2015
Category and number of grantees	Directors of the Company: 6 Executive Officers of the Company: 9
Type and number of granted shares	Common stock 19,000 shares
Date of grant	July 14, 2015
Vesting conditions	<p>No vesting conditions are attached.</p> <p>If a director or executive officer retires before the date of the Ordinary General Meeting of Shareholders in June 2016, he or she may only exercise the number of stock acquisition rights obtained by dividing the number obtained by multiplying the number of stock acquisition rights granted by the number of months in office from July 2015 to the month including the date of retirement by 12, and the remaining stock acquisition rights must be forfeited.</p> <p>Other details are provided in the "Stock Acquisition Rights Allotment Agreement" entered into between the Company and the grantees.</p>
Years of service covered	There is no requisite service period.
Exercise period	July 15, 2015 - July 14, 2045

Company	The Company
Date of resolution	June 28, 2016
Category and number of grantees	Directors of the Company (excluding outside directors): 6 Executive Officers of the Company (not concurrently serving as directors): 9
Type and number of granted shares	Common stock 16,400 shares
Date of grant	July 20, 2016
Vesting conditions	No vesting conditions are attached. If a director or executive officer retires before the date of the Ordinary General Meeting of Shareholders in June 2017, he or she may only exercise the number of stock acquisition rights obtained by dividing the number obtained by multiplying the number of stock acquisition rights granted by the number of months in office from July 2016 to the month including the date of retirement by 12, and the remaining stock acquisition rights must be forfeited. Other details are provided in the "Stock Acquisition Rights Allotment Agreement" entered into between the Company and the grantees.
Years of service covered	There is no requisite service period.
Exercise period	July 21, 2016 - July 20, 2046

Company	The Company
Date of resolution	June 27, 2017
Category and number of grantees	Directors of the Company (excluding outside directors): 6 Executive Officers of the Company (not concurrently serving as Directors): 8
Type and number of granted shares	Common stock 17,700 shares
Date of grant	July 19, 2017
Vesting conditions	No vesting conditions are attached. If a director or executive officer retires before the date of the Ordinary General Meeting of Shareholders in June 2018, he or she may only exercise the number of stock acquisition rights obtained by dividing the number obtained by multiplying the number of stock acquisition rights granted by the number of months in office from July 2017 to the month including the date of retirement by 12, and the remaining stock acquisition rights must be forfeited. Other details are provided in the "Stock Acquisition Rights Allotment Agreement" entered into between the Company and the grantees.
Years of service covered	There is no requisite service period.
Exercise period	July 20, 2017 - July 19, 2047

Company	The Company
Date of resolution	June 26, 2018
Category and number of grantees	Directors of the Company (excluding outside directors): 6 Executive Officers of the Company (not concurrently serving as directors): 7
Type and number of granted shares	Common stock 16,600 shares
Date of grant	July 18, 2018
Vesting conditions	No vesting conditions are attached. If a director or executive officer retires before the date of the Ordinary General Meeting of Shareholders in June 2019, he or she may only exercise the number of stock acquisition rights obtained by dividing the number obtained by multiplying the number of stock acquisition rights granted by the number of months in office from July 2018 to the month including the date of retirement by 12, and the remaining stock acquisition rights must be forfeited. Other details are provided in the "Stock Acquisition Rights Allotment Agreement" entered into between the Company and the grantees.
Years of service covered	There is no requisite service period.
Exercise period	July 19, 2018 - July 18, 2048

(2) Changes in the size of stock options

1) Number of stock options

Company	The Company	The Company	The Company
Date of resolution	June 28, 2011	June 27, 2012	June 26, 2013
Unvested			
End of the previous consolidated fiscal year (shares)	-	-	-
Granted (shares)	-	-	-
Forfeited (shares)	-	-	-
Vested (shares)	-	-	-
Unvested balance (shares)	-	-	-
Vested			
End of the previous consolidated fiscal year (shares)	5,900	10,700	13,100
Vested (shares)	-	-	-
Exercised (shares)	-	2,500	2,200
Forfeited (shares)	-	-	-
Unexercised balance (shares)	5,900	8,200	10,900

Company	The Company	The Company	The Company
Date of resolution	June 26, 2014	June 25, 2015	June 28, 2016
Unvested			
End of the previous consolidated fiscal year (shares)	-	-	-
Granted (shares)	-	-	-
Forfeited (shares)	-	-	-
Vested (shares)	-	-	-
Unvested balance (shares)	-	-	-
Vested			
End of the previous consolidated fiscal year (shares)	14,700	12,000	11,300
Vested (shares)	-	-	-
Exercised (shares)	3,800	2,600	2,300
Forfeited (shares)	-	-	-
Unexercised balance (shares)	10,900	9,400	9,000

Company	The Company	The Company
Date of resolution	June 27, 2017	June 26, 2018
Unvested		
End of the previous consolidated fiscal year (shares)	-	-
Granted (shares)	-	-
Forfeited (shares)	-	-
Vested (shares)	-	-
Unvested balance (shares)	-	-
Vested		
End of the previous consolidated fiscal year (shares)	13,900	13,500
Vested (shares)	-	-
Exercised (shares)	2,500	2,800
Forfeited (shares)	-	-
Unexercised balance (shares)	11,400	10,700

2) Per share prices

Company	The Company	The Company	The Company
Date of resolution	June 28, 2011	June 27, 2012	June 26, 2013
Exercise price (yen)	1	1	1
Average share price at exercise (yen)	-	2,149	2,149
Fair value at grant date (yen)	670	765	799

Company	The Company	The Company	The Company
Date of resolution	June 26, 2014	June 25, 2015	June 28, 2016
Exercise price (yen)	1	1	1
Average share price at exercise (yen)	2,149	2,149	2,149
Fair value at grant date (yen)	849	1,215	1,325

Company	The Company	The Company
Date of resolution	June 27, 2017	June 26, 2018
Exercise price (yen)	1	1
Average share price at exercise (yen)	2,149	2,149
Fair value at grant date (yen)	1,239	1,285

3 Method to estimate the number of vested stock options

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

Tax effect accounting

1. Significant components of deferred tax assets and liabilities

	Previous consolidated fiscal year (March 31, 2023)	Current consolidated fiscal year (March 31, 2024)
Deferred tax assets		
Allowance for doubtful accounts	3 million yen	4 million yen
Accrued expenses	207 million yen	210 million yen
Net defined benefit liability	42 million yen	42 million yen
Directors' retirement benefits	46 million yen	43 million yen
Unrealized earnings on inventories	530 million yen	691 million yen
Loss on valuation of shares	27 million yen	27 million yen
Other	634 million yen	735 million yen
Total gross deferred tax assets	1,491 million yen	1,755 million yen
Valuation allowance	(235) million yen	(252) million yen
Total deferred tax assets	1,255 million yen	1,502 million yen
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(1,367) million yen	(2,200) million yen
Deferred gain on sales of non-current assets	(38) million yen	(44) million yen
Reserve for advanced depreciation of non-current assets	(3) million yen	(3) million yen
Retirement benefit asset	(402) million yen	(572) million yen
Retained earnings of foreign subsidiaries	(371) million yen	(448) million yen
Other	(74) million yen	(98) million yen
Total gross deferred tax liabilities	(2,257) million yen	(3,367) million yen
Net deferred tax assets (liabilities)	(1,002) million yen	(1,864) million yen

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

	Previous consolidated fiscal year (March 31, 2023)	Current consolidated fiscal year (March 31, 2024)
Statutory tax rate	30.5%	30.5%
(Reconciliation)		
Entertainment expenses and other permanently non-deductible expenses	0.3%	0.3%
Dividends received and other permanently non-taxable income	(0.1%)	(0.9%)
Items that are permanently non-deductible such as directors' bonuses	0.6%	0.5%
Per capita inhabitant tax, etc.	0.4%	0.3%
Tax credits for research and development expenses	(2.9%)	(3.0%)
Increase in valuation allowance	2.0%	3.7%
Retained earnings of foreign subsidiaries	1.8%	1.5%
Difference in applicable tax rates of consolidated subsidiaries	(4.8%)	(3.5%)
Other	0.5%	1.0%
Effective tax rate after the application of tax-effect accounting	28.3%	30.4%

3. Accounting for corporate, local corporate income taxes and related tax-effect accounting

The Company and certain consolidated domestic subsidiaries have adopted the group tax sharing system. Accordingly, corporate, local corporate income taxes, and tax-effect accounting are accounted for and disclosed in accordance with "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ Practical Solution No. 42, August 12, 2021).

Revenue recognition

1. Breakdown of revenue from contracts with customers

Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)

(Unit: million yen)

	Reportable segments			Total
	Dental Business	Nail Care Business	Other Businesses	
Japan	13,594	1,335	95	15,025
North America & Latin America	3,635	273	-	3,908
Europe	6,355	-	-	6,355
Asia	5,653	736	-	6,389
Revenue from contracts with customers	29,238	2,345	95	31,678
Other revenue	-	-	-	-
Net sales to external customers (Note)	29,238	2,345	95	31,678

Note: Net sales to external customers are classified by country or region based on the location of the Company and its consolidated subsidiaries.

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

(Unit: million yen)

	Reportable segments			Total
	Dental Business	Nail Care Business	Other Businesses	
Japan	14,138	1,367	81	15,588
North America & Latin America	4,023	218	-	4,241
Europe	7,492	-	-	7,492
Asia	6,970	787	-	7,758
Revenue from contracts with customers	32,624	2,373	81	35,080
Other revenue	-	-	-	-
Net sales from external customers (Note)	32,624	2,373	81	35,080

Note: Net sales to external customers are classified by country or region based on the location of the Company and its coordinated subsidiaries

2. Information that provides a basis for understanding revenue from contracts with customers

Please refer to (5) Reporting of significant revenue and expenses of 4. Matters relating to accounting policies.

3. Information on the relationship between the satisfaction of performance obligations based on contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized in the following consolidated fiscal year from contracts with customers that existed at the end of the current consolidated fiscal year

Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)

(1) Balance of receivables and contractual liabilities from contracts with customers

	Consolidated fiscal year	
	Opening balance	Closing balance
Receivables from contracts with customers	3,294 million yen	3,493 million yen
Contract liabilities	6 million yen	6 million yen

Contract liabilities are mainly advances received from customers based on payment terms before fulfilling performance obligations and are reversed when revenue is recognized. Of the revenue recognized in the consolidated fiscal year, the amount included in the balance of contractual liabilities at the beginning of the fiscal year was immaterial. The Company and its consolidated subsidiaries do not have contract assets.

(2) Transaction price allocated to remaining performance obligations

The Company and its consolidated subsidiaries have adopted a practical expedient to note the transaction prices allocated to the remaining performance obligations and do not include contracts with an initial expected term of one year or less. As of the end of this consolidated fiscal year, the Group had 6 million yen in performance obligations that were not satisfied. Such performance obligations are mainly advances received from customers based on payment terms and are expected to be recognized as revenue within one year.

There are no significant amounts of consideration arising from contracts with customers that are not included in the transaction price.

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

(1) Balance of receivables and contractual liabilities from contracts with customers

	Consolidated fiscal year	
	Opening balance	Closing balance
Receivables from contracts with customers	3,493 million yen	4,539 million yen
Contract liabilities	6 million yen	75 million yen

Contract liabilities are mainly advances received from customers based on payment terms before fulfilling performance obligations and are reversed when revenue is recognized. Of the revenue recognized in the consolidated fiscal year, the amount included in the contractual liabilities balance at the beginning of the year was 6 million yen. The Company and its consolidated subsidiaries do not have contract assets.

(2) Transaction price allocated to remaining performance obligations

The Company and its consolidated subsidiaries have adopted a practical expedient to note the transaction prices allocated to the remaining performance obligations and do not include contracts with an initial expected term of one year or less. As of the end of the consolidated fiscal year under review, the Group had 75 million yen in performance obligations that were not satisfied. Such performance obligations are mainly advances received from customers based on payment terms and are expected to be recognized as revenue within one year.

There are no significant amounts of consideration arising from contracts with customers that are not included in the transaction price.

Segment information, etc.

Segment information

1. Overview of reportable segments

The Group's reportable segments are components of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors in deciding how to allocate resources and in assessing performance.

The Group's businesses consist of the Dental business, the Nail Care Business, and Other Businesses (manufacture and sale of industrial materials). Each business unit formulates comprehensive strategies for Japan and overseas and develops business activities.

Accordingly, the Company's reportable segments consist of the Dental Business, Nail Care Business, and Other Businesses.

The Dental Business is engaged in the manufacture, sale and repair services of materials and equipment related to dentistry. The Nail Care Business is engaged in the manufacture, sale and repair services of beauty and health equipment and cosmetics related to nails. The Other Businesses manufactures and sells industrial materials.

2. Calculation method of net sales, profits or losses, assets and other items by reportable segments

In principle, the accounting method for the reportable segments is the same as that described in "Basis of presenting consolidated financial statements".

Reportable segment profits are based on operating income. Inter-segment sales and transfers are mainly based on market prices.

3. Net sales, profits or losses, assets and other items by reportable segment Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)

(: million yen)

	Reportable segments				Adjustments (Note 1)	Amount recorded on consolidated financial statements (Note 2)
	Dental Business	Nail Care Business	Other Businesses	Total		
Net sales						
Net sales to external customers	29,238	2,345	95	31,678	-	31,678
Inter-segment sales or transfers	-	-	5	5	(5)	-
Total	29,238	2,345	100	31,684	(5)	31,678
Segment income	3,719	93	5	3,818	6	3,824
Segment assets	35,454	1,841	101	37,397	6,329	43,727
Other items						
Depreciation	931	37	3	971	-	971
Equity in earnings (losses) of affiliates	9	-	-	9	-	9
Investments in entities accounted for using equity method	2,734	-	-	2,734	-	2,734
Increase in property, plant and equipment and intangible assets	2,258	59	2	2,319	-	2,319

Notes: 1. (1) The 6 million yen adjustment to segment income is due to elimination of intersegment transactions.

(2) The 6,329 million yen adjustment to segment assets includes corporate assets that have not been allocated to each segment. These assets mainly include the Company's surplus funds (cash and deposits) and long-term investment assets (investment securities, etc.).

2. Segment income is reconciled to consolidated operating income.

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

(million yen)

	Reportable segments				Adjustments (Note 1)	Amount recorded on consolidated financial statements (Note 2)
	Dental Business	Nail Care Business	Other Businesses	Total		
Net sales						
Net sales to external customers	32,624	2,373	81	35,080	-	35,080
Inter-segment sales or transfers	-	-	6	6	(6)	-
Total	32,624	2,373	87	35,086	(6)	35,080
Segment income	4,685	5	12	4,703	6	4,709
Segment assets	39,250	1,812	98	41,161	8,932	50,093
Other items						
Depreciation	1,131	34	3	1,168	-	1,168
Equity in earnings (losses) of affiliates	-7	-	-	-7	-	-7
Impairment loss (Note 3)	173	-	-	173	-	173
Investments in entities accounted for using equity method	2,633	-	-	2,633	-	2,633
Increase in property, plant and equipment and intangible assets	1,266	13	2	1,282	-	1,282

Notes: 1. (1) The 6 million yen adjustment to segment income is due to elimination of intersegment transactions.

(2) The 8,932 million yen adjustment to segment assets includes corporate assets that have not been allocated to each segment. These assets mainly include the Company's surplus funds (cash and deposits) and long-term investment assets (investment securities, etc.).

2. Segment income is reconciled to consolidated operating income.

3. The Group's Merz Dental GmbH subsidiary has decided to partially suspend the development of manufacturing facilities. As a result, the carrying amount of the asset was reduced to the recoverable amount, and the amount of the reduction was recorded as an impairment loss of 173 million yen under extraordinary losses.

Related information

Previous consolidated fiscal year (April 1, 2022 to March 31, 2023) 1.

Information by product or service

This is omitted as comparable information is disclosed in segment information.

2. Information by region

(1) Net sales

(million yen)

Japan	North America & Latin America	Europe	Asia, Oceania, etc.	Total
15,025	3,908	6,355	6,389	31,678

Notes: 1. Net sales are classified by country or region based on the location of the Company and its consolidated subsidiaries.

2. North America & Latin America, Europe and Asia, Oceania, etc. are managed as single segments, and the amount by country is not stated.

(2) Property, plant and equipment

(million yen)

Japan	Germany	North America & Latin America	Europe	Asia, Oceania, etc.	Total
6,317	1,975	201	410	1,091	9,995

3. Information by major customer

No information is provided, because there were no customers who accounted for 10% or more of the net sales to external customers in the consolidated statements of income.

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

1. Information by product or service

This is omitted as comparable information is disclosed in segment information.

2. Information by region

(1) Net sales

(: million yen)

Japan	North America & Latin America	Europe	Asia, Oceania, etc.	Total
15,588	4,241	7,492	7,758	35,080

Notes: 1. Net sales are classified by country or region based on the location of the Company and its consolidated subsidiaries.

2. North America & Latin America, Europe and Asia, Oceania, etc. are managed as single segments, and the amount by country is not stated.

(2) Property, plant and equipment

(: million yen)

Japan	Germany	North America & Latin America	Europe	Asia, Oceania, etc.	Total
6,211	1,991	232	487	1,312	10,234

3. Information by major customer

No information is provided because there were no customers who accounted for 10% or more of the net sales to external customers in the consolidated statements of income.

Information on impairment losses on non-current assets by reportable segment

Previous consolidated fiscal year (April 1, 2022 to March 31, 2023) Not applicable

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

This is omitted as comparable information is disclosed in segment information.

Information on amortization and unamortized balance of goodwill by reportable segment

Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)

Not applicable

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

Not applicable

Information on gains on negative goodwill by reportable segment

Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)

Not applicable

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

Not applicable

Related parties Transactions with related parties

Transactions between the company submitting consolidated financial statements and its related parties

Officers and major shareholders (limited to individuals), etc., of the company submitting consolidated financial statements

Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)

Not applicable

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

Category	Name of the company, etc. or person	Location	Share capital or investment (million yen)	Business or occupation	Percentage of voting rights owned (held)	Relationship	Details of transactions	Transaction amount (million yen)	Account	Balance at end of year (million yen)
Officer	Noriyuki Negoro	-	-	Representative Director & Chairman	(Owned) Direct 0.53%		In-kind consideration of monetary compensation claims (Note)	11	-	

Note: This is an in-kind consideration of monetary compensation claims in line with the restricted stock compensation system

Per share information

	Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (April 1, 2023 to March 31, 2024)
Net assets per share	1,996.64 yen	2,336.04 yen
Net income per share	176.10 yen	206.18 yen
Diluted net income per share	175.13 yen	205.25 yen

Note: 1. The basis for calculating net income per share and diluted net income per share is as follows.

Item	Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (April 1, 2023 to March 31, 2024)
Net income per share		
Net income attributable to owners of parent (million yen)	3,135	3,655
Amount not attributable to common stockholders (million yen)	-	-
Net income attributable to owners of parent related to common stock (million yen)	3,135	3,655
Average number of shares of common stock (thousand shares)	17,805	17,731
Diluted net income per share		
Net income attributable to owners of parent adjustment (million yen)	-	-
Increase in common stock (thousand shares)	98	80
(of which stock acquisition rights (thousand shares))	(98)	(80)
Outline of the diluted shares being not included in the calculation of diluted net income per share due to no dilutive effect		-

2. The basis for calculating net assets per share is as follows.

Item	Previous consolidated fiscal year (March 31, 2023)	Current consolidated fiscal year (March 31, 2024)
Net assets (million yen)	35,515	41,609
Amounts deducted from total net assets (million yen)	172	161
(of which stock acquisition rights (million yen))	(99)	(79)
(of which non-controlling interests (million yen))	(73)	(82)
Net assets attributable to common stock at year end (million yen)	35,342	41,448
Number of shares of common stock at year end used for calculating net assets per share (thousand shares)	17,701	17,742

Significant subsequent events Stock split

At a meeting of the Board of Directors held on May 1, 2024, the Company resolved to conduct a stock split and a partial amendment to the Articles of Incorporation in connection with the stock split.

1. Purpose of the stock split

The purpose of the stock split is to reduce the minimum investment amount, improving the liquidity of the Company's shares, and further expanding the investor base.

2. Details of the stock split

(1) Method of split

The Company will conduct a 2-for-1 split of the Company's common stock held by shareholders recorded in the shareholder registry as of the end of the record date on September 30, 2024.

(2) Number of shares to be increased by the stock split

Number of shares issued before stock split	17,894,089 shares
Increase in number of shares resulting from stock split	17,894,089 shares
Number of issued shares after stock split	35,788,178 shares
Number of authorized shares after stock split	128 million shares

(3) Schedule for the split

Date of public notice of record date September 13, 2024 (Friday, scheduled)

Record date September 30, 2024 (Monday)

Effective date October 1, 2024 (Tuesday)

3. Impact on per share information

Per share information based on the assumption that the stock split was conducted at the beginning of the previous fiscal year is as follows:

	Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (April 1, 2023 to March 31, 2024)
Net assets per share	998.32 yen	1,168.02 yen
Net income per share	88.05 yen	103.09 yen
Diluted net income per share	87.56 yen	102.62 yen

4. Partial amendment to the Articles of Incorporation due to the stock split

(1) Reason for the amendment to the Articles of Incorporation

In accordance with the provisions of Article 184, Paragraph 2 of the Companies Act, the Articles of Incorporation of the Company will be partially amended with an effective date of October 1, 2024.

(2) Details of the amendment

The details of the amendment are as follows. (Amendment is underlined.)

Current	Amended
(Total number of authorized shares) Article 6 The total number of shares authorized to be issued by the Company shall be 64,000,000.	(Total Number of Authorized Shares) Article 6 The total number of shares authorized to be issued by the Company shall be 128,000,000.

(3) Schedule of amendment to the Articles of Incorporation

Date of resolution by the Board of Directors: May 1, 2024 (Wednesday)

Effective date of amendment to the Articles of Incorporation: October 1, 2024 (Tuesday)

5. Other

(1) Change in the amount of share capital

There will be no change in the amount of share capital of the Company as a result of this stock split.

(2) Dividends

Since the effective date of this stock split is October 1, 2024, the year-end dividend for the fiscal year ended March 31, 2024 with March 31, 2024 as the record date and the interim dividend for the fiscal year ending March 31, 2025 with September 30, 2025 as the record date will be based on the number of shares before the stock split.

(3) Shareholder benefits

The Company has established the following shareholder benefit plan, but there will be no change due to this stock split.

Provision of own products	Applicable to: Shareholders who hold one unit (100 shares) or more and are recorded in the shareholder register as of March 31 of each year
Sales of own products at preferential prices	Applicable to: All shareholders recorded in the shareholder register as of March 31 of each year
Sale of nail care products at preferential prices	Applicable to: All shareholders recorded in the shareholder register as of September 30 of each year

5) Consolidated supplementary schedules

Schedule of bonds payable

Not applicable

Schedule of loans payable

Category	Balance at beginning of current fiscal year (million yen)	Balance at the end of current fiscal year (million yen)	Average interest rate (%)	Repayment deadline
Long-term loans payable due within one year	907	281	0.42	-
Lease obligations due within one year	60	70	-	-
Long-term loans payable (excluding current portion)	281	-	-	-
Lease obligations (excluding current portion)	88	106	-	2025-2030
Total	1,337	459	-	-

Notes: 1. The average interest rate represents the weighted-average rate applicable to the year-end balance.

2. The average interest rate of lease obligations is not stated because lease obligations are recorded in the consolidated balance sheet at the amount before deducting the amount equivalent to interest included in the total lease payments, or the amount equivalent to interest included in the total lease payments is allocated to each consolidated accounting year using the straight-line method.

3. The scheduled repayment amount per year of long-term loans payable and lease obligations (excluding current portions) within five years after the consolidated balance sheet date is as follows:

Category	Due after one year but within two years (million yen)	Due after two years but within three years (million yen)	Due after three years but within four years (million yen)	Due after four years but within five years (million yen)
Long-term loans payable	-	-	-	-
Lease obligations	50	31	15	7

Schedule of asset retirement

obligations Not applicable

(2) Other

Quarterly information for the current consolidated fiscal year

(Cumulative period)	First quarter	Second quarter	Third quarter	Current consolidated fiscal year
Net sales (million yen)	8,265	16,447	25,403	35,080
Net income before income taxes (million yen)	1,367	2,387	3,977	5,282
Net income attributable to owners of parent (million yen)	686	1,559	2,747	3,655
Net income per share (yen)	38.77	87.98	154.97	206.18

(By quarter)	First quarter	Second quarter	Third quarter	Fourth quarter
Net income per share (yen)	38.77	49.20	66.97	51.21

2. Financial statements

(1) Financial statements

1) Balance sheet

(million yen)

	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)
Assets		
Current assets		
Cash and deposits	3,368	2,702
Notes receivable - trade	215	216
Accounts receivable -trade	*1 3,640	*1 5,365
Merchandise and finished goods	2,322	3,035
Work in process	642	749
Raw materials and supplies	687	763
Prepaid expenses	167	167
Other	*1 454	*1 312
Allowance for doubtful accounts	(0)	(4)
Total current assets	11,499	13,308
Non-current assets		
Property, plant and equipment		
Buildings	2,525	2,442
Structures	158	149
Machinery and equipment	302	340
Vehicles	0	0
Tools, furniture and fixtures	442	428
Land	1,614	1,614
Construction in progress	61	58
Total property, plant and equipment	5,105	5,033
Intangible assets		
Software	108	137
Other	6	6
Total Intangible assets	114	143
Investments and other assets		
Investment securities	6,314	8,920
Shares of subsidiaries and affiliates	11,123	11,053
Long-term loans receivable from subsidiaries and affiliates	*1 1,221	*1 1,486
Long-term loans receivable from employees	14	10
Guarantee deposits	16	16
Retirement benefit asset for directors	28	29
Prepaid pension expense	485	597
Other	92	73
Allowance for doubtful accounts	(5)	(6)
Total investments and other assets	19,292	22,182
Total non-current assets	24,513	27,359
Total assets	36,012	40,667

(million yen)

	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)
Liabilities		
Current liabilities		
Accounts payable -trade	*1 993	*1 1,327
Short-term loans payable	-	326
Current portion of long-term loans payable	907	281
Accounts payable-other	*1 527	*1 547
Accrued expenses	850	869
Income taxes payable	328	471
Contract liabilities	6	5
Deposits received	32	33
Provision for directors' bonuses	64	63
Other	690	144
Total current liabilities	4,402	4,071
Non-current liabilities		
Long-term loans payable	281	-
Long-term loans payable to subsidiaries and associates	*1 707	*1 802
Long-term guarantee deposited	325	323
Long-term accounts payable-other	129	120
Deferred tax liabilities	968	1,797
Total non-current liabilities	2,412	3,043
Total liabilities	6,814	7,114
Net assets		
Shareholders' equity		
Share capital	5,968	5,968
Capital surplus		
Legal capital surplus	6,071	6,071
Other capital surplus	71	63
Total capital surplus	6,142	6,134
Retained earnings		
Legal reserve	1,118	1,118
Other retained earnings		
Reserve for dividends	260	260
Reserve for advanced depreciation of non-current assets	7	7
General reserve	740	740
Retained earnings brought forward	12,039	14,447
Total retained earnings	14,165	16,573
Treasury shares	(379)	(297)
Total shareholders' equity	25,897	28,379
Valuation, translation adjustments and others		
Valuation difference on available-for-sale securities	3,201	5,094
Total valuation, translation adjustments and others	3,201	5,094
Stock acquisition rights	99	79
Net assets	29,197	33,552
Total liabilities and net assets	36,012	40,667

2) Statement of income

(million yen)

	Previous fiscal year (April 1, 2022 to March 31, 2023)		Current fiscal year (April 1, 2023 to March 31, 2024)	
Net sales				
Net sales of finished goods		7,231		8,551
Net sales of merchandise		12,098		12,722
Total net sales		*1 19,329		* 1 21,273
Cost of sales				
Inventories at beginning of period		499		469
Cost of finished goods manufactured		2,877		3,305
Finished goods transfers		41		35
Total		3,335		3,739
Inventories at end of period		469		523
Cost of finished goods sold		2,865		3,215
Inventories at beginning of period		1,693		1,852
Cost of purchased merchandise		8,103		8,991
Merchandise transfers		409		392
Total		9,387		10,451
Inventories at end of period		1,852		2,511
Cost of merchandise sold		7,534		7,939
Total cost of sales		*1 10,400		*1 11,155
Gross profit		8,929		10,118
Selling, general and administrative expenses				
Freight and packing expenses		217		214
Sales promotion expenses		6		2
Compensation and salaries for directors		2,047		2,095
Bonuses		704		699
Provision for bonuses for directors		64		63
Welfare expenses		598		624
Retirement benefit expenses		44		61
Depreciation		111		216
Taxes and public dues		189		208
Rent expenses		89		97
Commission expenses		808		869
Travel and transportation expenses		233		285
Advertising expenses		356		390
Research and development expenses		1,672		1,735
Other expenses		829		871
Total selling, general and administrative expenses		*1 7,973		*1 8,436
Operating income		956		1,681

	(million yen)	
	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Non-operating income		
Interest income	11	57
Dividend income	1,942	2,252
Membership fee income	106	129
Technical support fee	138	169
Foreign exchange gains	171	241
Other	125	119
Total non-operating income	* 1 2,496	* 1 2,970
Non-operating expenses		
Interest expenses	17	58
Meeting fee cost	173	280
Other	29	87
Total non-operating expenses	* 1 219	* 1 425
Ordinary income	3,233	4,226
Extraordinary gains		
Gain on sales of investment securities	59	285
Settlement income	56	-
Total extraordinary gains	115	285
Extraordinary losses		
Loss on valuation of shares of subsidiaries and affiliates	-	* 2 286
Total extraordinary losses	-	286
Net income before income taxes	3,348	4,225
Income taxes - current	479	723
Income taxes - deferred	(12)	(3)
Total income taxes	467	719
Net income	2,881	3,506

(3) Statement of changes in net assets

Previous fiscal year (April 1, 2022 to March 31, 2023)

(million yen)

	Shareholders' equity									
	Share capital	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings				Total retained earnings
						Reserve for dividends	Reserve for advanced depreciation of non-current assets	General reserve	Unappropriated retained earnings	
Balance at beginning of period	5,968	6,071	52	6,123	1,118	260	8	740	9,887	12,013
Changes of items during period										
Reversal of reserve for advanced depreciation of non-current assets							(0)		0	-
Dividends of surplus									(730)	(730)
Purchase of treasury shares										
Disposal of treasury shares			19	19						
Net income									2,881	2,881
Changes in items other than shareholders' equity (net)										
Total changes during period	-	-	19	19	-	-	(0)	-	2,151	2,151
Balance at end of period	5,968	6,071	71	6,142	1,118	260	7	740	12,039	14,165

	Shareholders' equity		Valuation, translation adjustments and others		Stock acquisition rights	Net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation, translation adjustments and others		
Balance at beginning of period	(115)	23,990	3,426	3,426	116	27,533
Changes of items during period						
Reversal of reserve for advanced depreciation of non-current assets		-				-
Dividends of surplus		(730)				(730)
Purchase of treasury shares	(322)	(322)				(322)
Disposal of treasury shares	58	78				78
Net income		2,881				2,881
Changes in items other than shareholders' equity (net)			(225)	(225)	(16)	(242)
Total changes during period	(264)	1,906	(225)	(225)		1,664
Balance at end of period	(379)	25,897	3,201	3,201	99	29,197

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

(million yen)

	Shareholders' equity									
	Share capital	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings				Total retained earnings
						Reserve for dividends	Reserve for advanced depreciation of non-current assets	General reserve	Unappropriated retained earnings	
Balance at beginning of period	5,968	6,071	71	6,142	1,118	260	7	740	12,039	14,165
Changes of items during period										
Reversal of reserve for advanced depreciation of non-current assets							(0)		0	-
Dividends of surplus									(1,098)	(1,098)
Purchase of treasury shares										
Disposal of treasury shares			(8)	(8)						
Net income									3,506	3,506
Changes in items other than shareholders' equity (net)										
Total changes during period	-	-	(8)	(8)	-	-	(0)	-	2,408	2,407
Balance at end of period	5,968	6,071	63	6,134	1,118	260	7	740	14,447	16,573

	Shareholders' equity		Valuation, translation adjustments and others		Stock acquisition rights	Net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation, translation adjustments and others		
Balance at beginning of period	(379)	25,897	3,201	3,201	99	29,197
Changes of items during period						
Reversal of reserve for advanced depreciation of non-current assets		-				-
Dividends of surplus		(1,098)				(1,098)
Purchase of treasury shares	(1)	(1)				(1)
Disposal of treasury shares	83	74				74
Net income		3,506				3,506
Changes in items other than shareholders' equity (net)			1,893	1,893	(19)	1,873
Total changes during period	82	2,481	1,893	1,893	(19)	4,355
Balance at end of period	(297)	28,379	5,094	5,094	79	33,552

Notes to financial statements

Significant accounting policies

1. Valuation methods for securities

Shares of subsidiaries and affiliates

Stated at cost by the moving-average method

Other securities

Shares, etc. excluding those without market price

Market value method (unrealized gains and losses are accounted for as a component of net assets, and the cost of securities sold is calculated mainly by the moving average method) Shares without market price

Stated at cost by the moving-average method

2. Valuation methods for derivative financial instruments

Market value method

3. Valuation methods for inventories

Merchandise and finished goods, work in process, raw materials and supplies: Cost determined by the first-in first-out method (cost of inventories is written-down when their carrying amounts becomes unrecoverable)

4. Depreciation method for non-current assets

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

Declining-balance method

However, the straight-line method is used for facilities attached to buildings and structures acquired on or after April 1, 2016. The main useful lives are summarized as follows:

Buildings 3 to 50 years

Structures 2 to 60 years

Machinery and equipment 3 to 17 years

Vehicles 4 years

Tools, furniture and fixtures: 2 to 20 years

(2) Intangible assets (excluding leased assets)

Straight-line method

However, software for internal use is amortized by the straight-line method over the useful life (5 years)

(3) Leased assets

Leased assets for finance lease transaction other than title transfer

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

5. Basis for reserves

(1) Allowance for doubtful accounts

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

(2) Provision for directors' bonuses

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

(3) Allowance for retirement benefits

To prepare for the payment of retirement benefits to employees, the amount considered to have accrued at the end of this fiscal year is recorded based on the estimated amount of retirement benefit obligations and pension assets at the end of this fiscal year.

However, since pension assets exceed retirement benefit obligations in this fiscal year, the excess amount is recorded as net defined benefit asset.

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

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

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

6. Reporting of significant revenue and expenses

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

Dental Business

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

7. Hedge accounting

(1) Hedge accounting

In principle, deferred hedge accounting is applied. The allocation method is applied to foreign exchange contracts if the requirements for the allocation method are satisfied.

(2) Hedging instruments and hedged items

Hedging instruments

Forward exchange contracts

Hedged items

Foreign currency-denominated monetary claims

(3) Hedging policy

Foreign exchange fluctuation risks are hedged mainly based on the internal management regulations.

(4) Assessment of hedge effectiveness

The assessment of hedge effectiveness is omitted, as it is assumed that the exchange reservation of the same date is made corresponding to the amount denominated in foreign currency at the time of concluding the exchange reservation, and the market fluctuations are completely offset at the start of the hedge and continuously after that.

8. Other significant information

(1) Accounting for retirement benefits

The accounting methods of unrecognized actuarial gains and losses and unrecognized past service costs are different from those of the consolidated financial statements.

(2) Accounting for non-deductible consumption taxes on assets

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

(3) Application of the group aggregation system

The Group aggregation system has been adopted.

Notes to balance sheet

※1 Notes relating to affiliated companies

Major items related to affiliated companies by item are as follows. (including those separately disclosed)

	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)
Short-term monetary receivables	2,124 million yen	3,403 million yen
Long-term monetary receivables	1,221 million yen	1,486 million yen
Short-term monetary payables	436 million yen	781 million yen
Long-term monetary payables	707 million yen	802 million yen

2. Commitment line agreements

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

The balance of unused lines of credit based on these agreements is as follows.

	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)
Total amount of commitment line	2,000 million yen	2,000 million yen
Outstanding balance	- million yen	- million yen
Balance	2,000 million yen	2,000 million yen

Notes to statement of income

※1 Notes relating to affiliated companies

Major items from affiliated companies by item are as follows.

	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Sales	6,090 million yen	7,551 million yen
Procurement	2,874 million yen	2,829 million yen
Selling, general and administrative expenses	15 million yen	31 million yen
Excluding operating transactions with subsidiary	1,927 million yen	2,337 million yen

※2 Valuation loss on shares of subsidiaries and affiliates

Previous fiscal year (April 1, 2022 to March 31, 2023)

Not applicable

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

A valuation loss of 286 million yen was recorded on shares of Smart Dentistry Solutions Inc., a consolidated subsidiary of the Company.

Notes to securities

1. Shares of subsidiaries and affiliates

Previous fiscal year (March 31, 2023)

The fair value of shares of subsidiaries and affiliates is not stated because shares of subsidiaries and affiliates do not have market prices.

Amount recorded on the balance sheet of shares of subsidiaries and affiliates without market prices are as follows.

Category	Previous fiscal year (million yen)
Shares of subsidiaries	8,234
Shares of affiliates	2,889
Total	11,123

Current fiscal year (March 31, 2024)

The fair value of shares of subsidiaries and affiliates is not stated because shares of subsidiaries and affiliates do not have market prices.

Amount recorded on the balance sheet of shares of subsidiaries and affiliates without market prices are as follows.

Category	Current fiscal year (million yen)
Shares of subsidiaries	8,164
Shares of affiliates	2,889
Total	11,053

2. Securities for which an impairment loss was recognized

Previous fiscal year (March 31, 2023)

Not applicable

Current fiscal year (March 31, 2024)

In this fiscal year, the Company recorded a loss on valuation of shares of affiliates of 286 million yen. Upon recognition of impairment losses, the Company recognizes impairment losses for the amount deemed necessary in consideration of the recoverability of the actual value of the shares.

Notes to tax-effect accounting

1. Significant components of deferred tax assets and liabilities

	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)
Deferred tax assets:		
Allowance for doubtful account	1 million yen	3 million yen
Accrued expenses	176 million yen	179 million yen
Loss on valuation of shares	298 million yen	385 million yen
Directors' retirement benefits	42 million yen	39 million yen
Excess depreciation	80 million yen	89 million yen
Other	330 million yen	357 million yen
Total gross deferred tax assets	930 million yen	1,055 million yen
Valuation allowance	(379) million yen	(466) million yen
Total deferred tax assets	550 million yen	588 million yen
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(1,367) million yen	(2,200) million yen
Reserve for advanced depreciation of non-current assets	(3) million yen	(3) million yen
Retirement benefit asset	(148) million yen	(182) million yen
Total gross deferred tax liabilities	(1,519) million yen	(2,385) million yen
Net deferred tax assets (liabilities)	(968) million yen	(1,797) million yen

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

	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)
Statutory tax rate:	30.5%	30.5%
(Reconciliation)		
Entertainment expenses and other permanently non-deductible expenses	0.3%	0.4%
Dividends received and others permanently no-taxable income	(13.9%)	(12.7%)
Items that are permanently non-deductible such as directors' bonuses	0.8%	0.6%
Per capita Inhabitant tax, etc.	0.4%	0.3%
Tax credits for research and development expenses	(3.9%)	(3.8%)
Increase in valuation allowance	-%	2.1%
Other	(0.3%)	(0.4%)
Effective tax rate after the application of tax-effect accounting	14.0%	17.0%

3. Accounting for corporate, local corporate income taxes and related tax-effect accounting

The Company has adopted the group aggregation system. Accordingly, corporate, local corporate income taxes, and tax-effect accounting are accounted for and disclosed in accordance with "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ Practical Solution No. 42, August 12, 2021).

Revenue recognition

Information to understand the revenue from contracts with customers is the same as that described in "Notes Revenue Recognition" of the consolidated financial statements, so the notes are omitted.

Significant subsequent events

Stock split

At a meeting of the Board of Directors held on May 1, 2024, the Company resolved to conduct a stock split and partially amend the Articles of Incorporation in connection with the stock split.

1. Purpose of the stock split

The purpose of the stock split is to reduce the minimum investment amount, improving the liquidity of the Company's shares, and further expanding the investor base.

2. Details of the stock split

(1) Method of split

The Company will conduct a 2-for-1 split of the Company's common stock held by shareholders recorded in the shareholder registry as of the end of the record date on September 30, 2024.

(2) Number of shares to be increased by the stock split

Number of shares issued before stock split	17,894,089 shares
Increase in number of shares resulting from stock split	17,894,089 shares
Number of issued shares after stock split	35,788,178 shares
Number of authorized shares after stock split	128 million shares

(3) Schedule for the split

Public notice of record date September 13, 2024 (Friday, scheduled)

Record date September 30, 2024 (Monday)

Effective date October 1, 2024 (Tuesday)

3. Impact on per share information

Per share information based on the assumption that the stock split was conducted at the beginning of the previous fiscal year is as follows:

	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Net assets per share	821.94 yen	943.29 yen
Net income per share	80.93 yen	98.87 yen
Diluted net income per share	80.48 yen	98.42 yen

4. Partial amendment to the Articles of Incorporation due to the stock split

(1) Reason for the amendment to the Articles of Incorporation

In accordance with the provisions of Article 184, Paragraph 2 of the Companies Act, the Articles of Incorporation of the Company will be partially amended with an effective date of October 1, 2024.

(2) Details of the amendment

The details of the amendments are as follows. (Amendment is underlined.)

Current	Amended
(Total number of authorized shares) Article 6 The total number of shares authorized to be issued by the Company shall be <u>64,000,000</u> .	(Total number of authorized shares) Article 6 The total number of shares authorized to be issued by the Company shall be <u>128,000,000</u> .

(3) Schedule of amendment to the Articles of Incorporation

Date of resolution by the Board of Directors: May 1, 2024 (Wednesday)

Effective date of amendment to the Articles of Incorporation: October 1, 2024 (Tuesday)

5. Other

(1) Change in the amount of share capital

There will be no change in the amount of share capital of the Company as a result of this stock split.

(2) Dividends

Since the effective date of this stock split is October 1, 2024, the year-end dividend for the fiscal year ended March 31, 2024 with March 31, 2024 as the record date and the interim dividend for the fiscal year ending March 31, 2025 with September 30, 2025 as the record date will be based on the number of shares before the stock split.

(3) Shareholder benefits

The Company has established the following shareholder benefit plan, but there will be no change due to this stock split.

Provision of own products	Applicable to: Shareholders who hold one unit (100 shares) or more and are recorded in the shareholder registry as of March 31 of each year
Sales of own products at preferential prices	Applicable to: All shareholders recorded in the shareholder register as of March 31 of each year
Sale of nail care products at preferential prices	Applicable to: All shareholders recorded in the shareholder register as of September 30 of each year

(4) Supplementary schedules

Detailed schedule of property, plant and equipment, etc.

Category	Balance at beginning of current year (million yen)	Increase during year (million yen)	Decrease during year (million yen)	Balance at end of current year (million yen)	Accumulated depreciation or amortization at end of current year (million yen)	Depreciation or amortization for current year (million yen)	Balance at end of current year (million yen)
Property, plant and equipment							
Buildings	6,317	106	21	6,402	3,960	189	2,442
Structures	564	1	17	549	399	10	149
Machinery and equipment	2,392	154	124	2,422	2,081	111	340
Vehicles	0	-	-	0	0	-	0
Tools, furniture and fixtures	2,604	225	128	2,701	2,273	216	428
Land	1,614	-	-	1,614	-	-	1,614
Construction in progress	61	196	200	58	-	-	58
Total property, plant and equipment	13,556	686	492	13,749	8,716	527	5,033
Intangible assets							
Trademark rights	1	-	-	1	1	-	-
Software	178	38	12	204	105	35	98
Telephone subscription right	6	-	-	6	-	-	6
Software in progress	12	26	-	38	-	-	38
Total intangible assets	198	65	12	251	107	35	143

Notes: 1. The balance at the beginning of the current year and the balance at the end of the current year are based on the acquisition price.

Detailed schedule of allowances

Category	Balance at beginning of current year (million yen)	Increase during year (million yen)	Decrease during year (used for objective) (million yen)	Decrease during year (other) (million yen)	Balance at end of current year (million yen)
Allowance for doubtful accounts	6	5	-	-	11
Provision for directors' bonuses	64	63	64	-	63

(2) Details of major assets and liabilities

Omitted as consolidated financial statements were prepared.

(3) Other

Not applicable

6. Information on Administration of the Company's Shares

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	In June
Record date	March 31
Record date for dividends of surplus	September 30, March 31
Number of shares per unit of the Company's stock	100 shares
Repurchase of shares less than one standard unit	
Handling office	Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Ltd., 4-5-33 Kitahama, Chuo-ku, Osaka
Administrator of shareholder register	Sumitomo Mitsui Trust Bank, Ltd., 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Offices available for repurchase	-
Fees for repurchase	Free
Method of public notice	Public notices of the Company shall be given by way of electronic public notices, however that in the event of an accident or other unavoidable circumstances that might preclude electronic public notice, public notices will be posted in the Nihon Keizai Shimbun. URL for public notices https://www.shofu.co.jp/ir/contents/hp1309/index.php?No=905&CNo=1309
Special benefits to shareholders	<div>Shareholders holding 100 shares or more as of March 31 All shareholders as of March 31</div> <div>Free provision of own products (medicated toothpaste and masks)</div> <div>Sales of own products (denture cleanser, medicated liquid toothpaste, medicated toothpaste, foam toothpaste for dentures, and masks) at preferential prices</div> <div>All shareholders as of September 30</div> <div>Sales of owns products (nail care products) at preferential prices.</div>

Note: Shareholders of less than one unit of the Company may not exercise any rights other than those listed below.

- 1) Rights that cannot be restricted even by the Articles of Incorporation due to laws and regulations
- 2) The right to receive the allotment of offered shares and offered stock acquisition rights by way of a shareholder allotment
- 3) The right to request purchase of shares less than one unit

7. Reference Information on the Company

1. Information on the parent company, etc. of the Company

The Company has no parent company, etc. as defined in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other reference information

The following documents were submitted between the start date of this fiscal year and the filing date of the Annual Securities Report.

(1)	Annual Securities Report, Attachments and Confirmation Note	Fiscal year (151st)	April 1, 2022 to March 31, 2023	Submitted to the Director-General of the Kanto Local Finance Bureau on June 27, 2023
(2)	Internal Control Report	Fiscal year (151st)	April 1, 2022 to March 31, 2023	Submitted to the Director-General of the Kanto Local Finance Bureau on June 27, 2023
(3)	Quarterly Securities Report and Confirmation Note	Fiscal year (first quarter of the 152nd)	April 1, 2023 to June 30, 2023	Submitted to the Director-Director of the Kanto Local Finance Bureau on August 9, 2023
		Fiscal year (second quarter of the 152nd)	July 1, 2023 to September 30, 2023	Submitted to the Director-General of the Kanto Local Finance Bureau on November 8, 2023
		Fiscal year (third quarter of the 152nd)	October 1, 2023 to December 31, 2023	Submitted to the Director-General of the Kanto Local Finance Bureau on February 7, 2024
(4)	Securities Registration Statement (Reference Method) and its attachments		Disposal of treasury shares as restricted stock	Submitted to the Director-General of the Kanto Local Finance Bureau on June 27, 2023
(5)	Extraordinary Report	Extraordinary report pursuant to Article 19, Paragraph 2, Item 9-2 (Results of Exercise of Voting Rights at the General Meeting of Shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.		Submitted to the Director-General of the Kanto Local Finance Bureau on June 29, 2023
(6)	Amendment Statement to Securities Registration Statement (Reference Method)		Amendment relating to the Securities Registration Statement	Submitted to the Director-General of the Kanto Local Finance Bureau on June 29, 2023

Part II Information on Guarantors for the Company

Not applicable