

**For the Fiscal Year Ending March 2020**

# ***SOFT99 corporation***

## **2Q Financial Results Briefing**

November 28, 2019

- This presentation and our responses during the subsequent question and answer session include forecasts, expectations, assessments, plans and strategies concerning the future.
- The description and statements based on these future projections include demand fluctuation of products, economic trends, weather and other risks and uncertainties.
- All the description and statements based on the future projections mentioned in this presentation and our responses during the subsequent question and answer session are based on information available on the date of this presentation, and we assume no obligation to update such description and statements.
- In addition, such description and statements do not constitute a guarantee of future results and actual results may substantively differ from our current expectations. These differences could be caused by many factors.

# I: Outline of Corporate Group

## ***SOFT99 corporation***

|                    |                                                                   |
|--------------------|-------------------------------------------------------------------|
| Establishment      | October 28, 1954                                                  |
| Capital            | ¥2,310,056,000                                                    |
| Representative     | President and CEO Hideaki Tanaka                                  |
| No. of employees   | 213 (as of September 30, 2019)                                    |
| Principal business | Manufacturing and sale of chemical products for car and home care |

### History of our principal products

1969  
“HANNERI WAX”



1978  
“BODY PAINT”



1987  
“TINET”



1993  
“GLACO ROLL ON”



1999  
“FUKUPIKA WET”












2003  
“G'zox series”














2006  
“SHAMPOO FOR GLASSES”



# Subsidiaries and Affiliates

| Company name                       |                                                                                     | Location                             | Stated capital or contribution | Percentage of our ownership of voting rights | Relationship                                                           |
|------------------------------------|-------------------------------------------------------------------------------------|--------------------------------------|--------------------------------|----------------------------------------------|------------------------------------------------------------------------|
| AION Co., Ltd.                     |    | Chuo-ku, Osaka                       | ¥482 mil.                      | 100.0%                                       | Financial assistance and real estate leasing<br>Interlocking directors |
| ASMO Co., Ltd.                     |    | Chuo-ku, Osaka                       | ¥80 mil.                       | 100.0%                                       | Financial assistance and real estate leasing<br>Interlocking directors |
| Shanghai SOFT99 Chemical Co., Ltd. |    | Shanghai, People's Republic of China | US\$5,650 k                    | 100.0%                                       | Interlocking directors                                                 |
| SOFT99 autoservice Co., Ltd.       |    | Chuo-ku, Osaka                       | ¥50 mil.                       | 100.0%                                       | Financial assistance and real estate leasing<br>Interlocking directors |
| KURASHIKIKAKU Co., Ltd.            |    | Koto-ku, Tokyo                       | ¥50 mil.                       | 100.0%                                       | Interlocking directors and real estate leasing                         |
| Arise Inc.                         |   | Chuo-ku, Osaka                       | ¥50 mil.                       | 100.0%                                       | Financial assistance and real estate leasing<br>Interlocking directors |
| Orange Japan Inc.                  |  | Koto-ku, Tokyo                       | ¥30 mil.                       | 100.0%                                       | Financial assistance and real estate leasing<br>Interlocking directors |
| ANTERIA Co., Ltd.                  |  | Chuo-ku, Osaka                       | ¥10 mil.                       | 100.0%                                       | Financial assistance and real estate leasing                           |
| HANERON Co., Ltd.                  |  | Yao-shi, Osaka                       | ¥33 mil.                       | 100.0%                                       | Interlocking directors                                                 |

# Outline of Operating Segments

| Operating segments         | Subsegments                                  | Operating companies                                                                   |                                    |
|----------------------------|----------------------------------------------|---------------------------------------------------------------------------------------|------------------------------------|
| <b>Fine Chemicals</b>      | Car care products (general/pro use)          |    | <b>SOFT99 corporation</b>          |
|                            | Home care products                           |                                                                                       |                                    |
|                            | Foreign operations                           |    | Shanghai SOFT99 Chemical Co., Ltd. |
|                            | Import and sale of foreign car care products |    | ANTERIA Co., Ltd.                  |
|                            | Planning, development and sale of TPMS       |    | Orange Japan Inc.                  |
|                            | Electronic device and software development   |    | HANERON Co., Ltd.                  |
| <b>Porous Materials</b>    | Industrial materials                         |    | AION Co., Ltd.                     |
|                            | Consumables                                  |                                                                                       |                                    |
| <b>Services</b>            | Auto service business                        |    | SOFT99 autoservice Co., Ltd.       |
|                            | Driving school business                      |   | ASMO Co., Ltd.                     |
|                            | Planning and sale of household products      |  | KURASHIKIKAKU Co., Ltd.            |
| <b>Real-Estate Related</b> | Real-estate leasing business                 |  | <b>SOFT99 corporation</b>          |
|                            | Bathhouse business                           |                                                                                       |                                    |
|                            | Support for preventative long-term care      |  | Arise Inc.                         |

## II: Outline of Consolidated Results

# Consolidated Results (Profit and loss: Year-on-year comparison)

- Net sales declined compared to the preceding fiscal year ended March 2019.
- Profits increased due to improvement in gross profit margin associated with price revision and changes in sales mix, and remaining expenses for sales promotion and supplies budgeted for the first half of the fiscal year ending March 2020.

(In millions of yen)

|                                                           | 2Q of the fiscal year<br>ended March 2019 | 2Q of the fiscal<br>year ending March<br>2020 | Year-on-year<br>changes | Year-on-year<br>% changes |
|-----------------------------------------------------------|-------------------------------------------|-----------------------------------------------|-------------------------|---------------------------|
| Net sales                                                 | 12,282                                    | <b>12,165</b>                                 | -117                    | -1.0%                     |
| Gross profit                                              | 4,333                                     | <b>4,496</b>                                  | +163                    | +3.8%                     |
| <i>Gross profit margin</i>                                | 35.3%                                     | <b>37.0%</b>                                  | +1.7 pt                 | —                         |
| Selling, general and administrative expenses              | 3,191                                     | <b>3,238</b>                                  | +47                     | +1.5%                     |
| Operating profit                                          | 1,142                                     | <b>1,257</b>                                  | +115                    | +10.1%                    |
| <i>Operating profit margin</i>                            | 9.3%                                      | <b>10.3%</b>                                  | +1.0 pt                 | —                         |
| Ordinary profit                                           | 1,225                                     | <b>1,335</b>                                  | +109                    | +9.0%                     |
| Net income before income taxes                            | 1,227                                     | <b>1,342</b>                                  | +115                    | +9.4%                     |
| Net income attributable to shareholders of parent company | 831                                       | <b>933</b>                                    | +102                    | +12.3%                    |

# Condensed Consolidated Cash Flow

(Year-on-year comparison)



(In millions of yen)

|                                                              | 2Q of the fiscal year<br>ended March 2019 | 2Q of the fiscal year<br>ending March 2020 |
|--------------------------------------------------------------|-------------------------------------------|--------------------------------------------|
| Cash flows from operating activities                         | 511                                       | <b>1,043</b>                               |
| Cash flows from investing activities                         | -284                                      | <b>-520</b>                                |
| Cash flows from financing activities                         | -263                                      | <b>-262</b>                                |
| Effect of exchange rate changes on cash and cash equivalents | -0                                        | <b>-0</b>                                  |
| Net increase (decrease) in cash and cash equivalents         | -37                                       | <b>259</b>                                 |
| Cash and cash equivalents at the beginning of the year       | 15,653                                    | <b>16,818</b>                              |
| Cash and cash equivalents at the end of the year             | 15,615                                    | <b>17,077</b>                              |

|                          |     |            |
|--------------------------|-----|------------|
| Depreciation expense     | 379 | <b>381</b> |
| Capital expenditures (*) | 413 | <b>368</b> |

(\*) Expenditure for purchase of property, plant and equipment



# Condensed Consolidated Balance Sheet

(Year-on-year comparison)



(In millions of yen)

|                               | March 31,<br>2019 | September<br>30, 2019 | Year-on-<br>year<br>changes |                                        | March 31,<br>2019 | September<br>30, 2019 | Year-on-<br>year<br>changes |
|-------------------------------|-------------------|-----------------------|-----------------------------|----------------------------------------|-------------------|-----------------------|-----------------------------|
| <b>Current Assets</b>         | 24,777            | 25,155                | +377                        | <b>Current Liabilities</b>             | 3,250             | 3,353                 | +103                        |
| Cash and deposits             | 17,496            | 17,756                | +259                        | Accounts payable                       | 1,121             | 1,131                 | +9                          |
| Accounts receivable           | 3,786             | 3,789                 | +3                          | Income taxes payable                   | 323               | 444                   | +120                        |
| Marketable securities         | 200               | 0                     | -200                        | Payables and accrued expenses          | 1,317             | 1,342                 | +25                         |
| Inventories                   | 3,058             | 3,402                 | +343                        | Others                                 | 487               | 434                   | -52                         |
| Others                        | 236               | 207                   | -28                         | <b>Non-current Liabilities</b>         | 3,610             | 3,619                 | +9                          |
| <b>Non-current Assets</b>     | 29,089            | 29,677                | +588                        | <b>Total Liabilities</b>               | 6,860             | 6,973                 | +113                        |
| Property, plant and equipment | 22,268            | 22,293                | +25                         | <b>Net Assets</b>                      | 47,006            | 47,860                | +853                        |
| Intangible assets             | 162               | 206                   | +43                         | Shareholders' equity                   | 46,566            | 47,276                | +709                        |
| Investments and other assets  | 6,657             | 7,177                 | +519                        | Accumulated other comprehensive income | 440               | 584                   | +143                        |
| <b>Assets</b>                 | 53,867            | 54,833                | +966                        | <b>Liabilities and Net Assets</b>      | 53,867            | 54,833                | +966                        |

# Consolidated Highlight Financial Indicators

(Year-on-year comparison)



|                                                  | 2Q of the fiscal year<br>ended March 2019 | 2Q of the fiscal<br>year ending March<br>2020 | Year-on-year<br>changes |
|--------------------------------------------------|-------------------------------------------|-----------------------------------------------|-------------------------|
| Total assets (million yen)                       | <b>53,006</b>                             | <b>54,833</b>                                 | +1,827                  |
| Net assets (million yen)                         | <b>46,344</b>                             | <b>47,860</b>                                 | +1,515                  |
| Equity ratio                                     | <b>87.4%</b>                              | <b>87.3%</b>                                  | -0.1 pt                 |
| ROA (Ordinary profit/Total assets*)              | <b>2.3%</b>                               | <b>2.5%</b>                                   | +0.2 pt                 |
| ROE (Net profit/Net assets*)                     | <b>1.8%</b>                               | <b>2.0%</b>                                   | +0.2 pt                 |
| Total asset turnover<br>(Net sales/Total assets) | <b>0.23</b>                               | <b>0.22</b>                                   | -0.01                   |
| Net income per share (yen)                       | <b>38.36</b>                              | <b>42.89</b>                                  | +4.53                   |

\* The amounts of profits are as of 2Q.

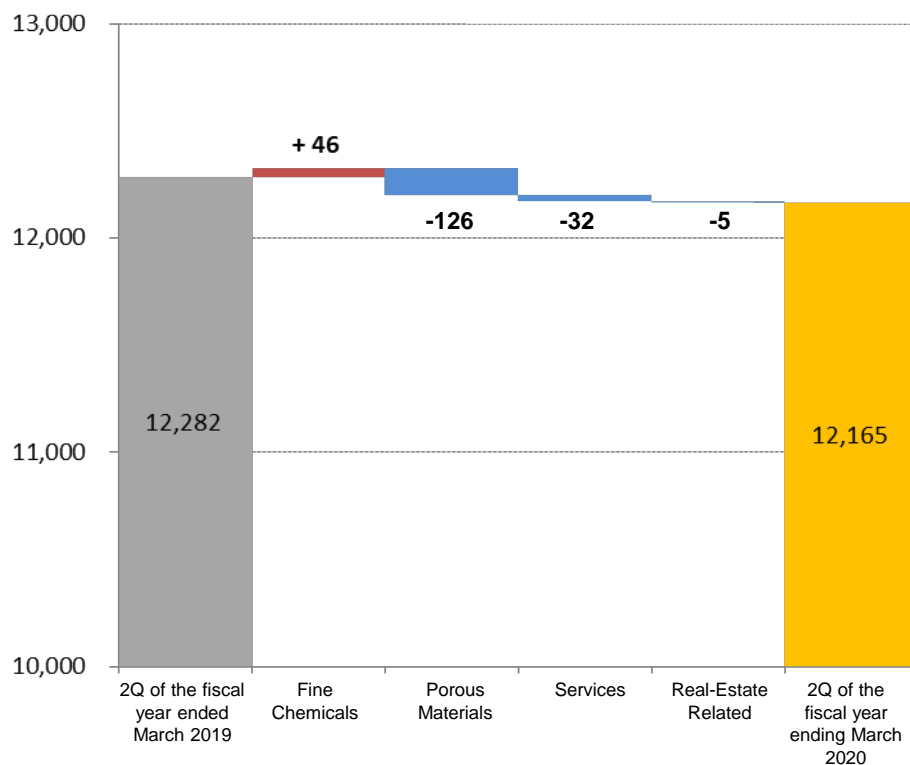
\* Average of figures at the beginning and the end of the fiscal year.

## III: Outline of Segment Results

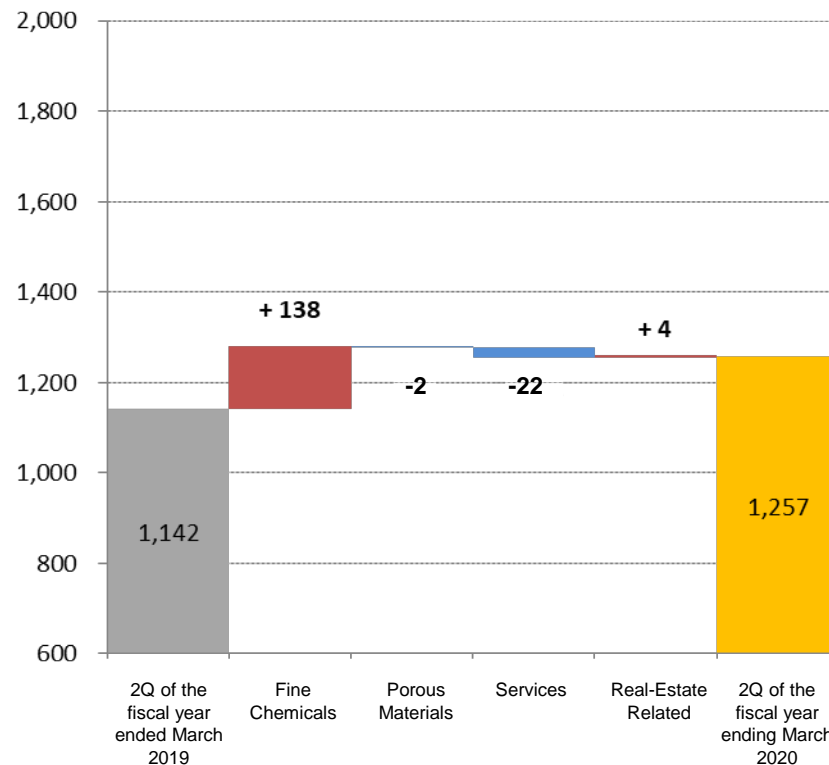
# Overall Results (Profit and loss: Year-on-year comparison)

- Net sales in all segments except for Fine Chemical decreased.
- Operating profit increased as a result of greater improvement in comparison to changes in net sales due to improved gross profit margin and delay in payment of selling and administration expenses.

**Changes in net sales by segment** (In millions of yen)



**Changes in profit by segment** (In millions of yen)



(Note) Excludes the consolidated adjustment amount

# Fine Chemicals (Profit and loss: Year-on-year comparison)

- Net sales in the segment as a whole increased, while profit also increased due to improved gross profit margin.
  - ✓ Products in the general use category and sales overseas are performing well.

| (In millions of yen)                                       | 2Q of the fiscal year<br>ended March 2019 | 2Q of the fiscal year<br>ending March 2020 | Year-on-year<br>changes | Year-on-year<br>% changes |
|------------------------------------------------------------|-------------------------------------------|--------------------------------------------|-------------------------|---------------------------|
| <b>Net sales</b>                                           | <b>6,095</b>                              | <b>6,142</b>                               | <b>+46</b>              | <b>+0.8%</b>              |
| General use: Car-exterior care                             | 876                                       | 948                                        | +71                     | + 8.2%                    |
| General use: Glass care                                    | 1,760                                     | 1,831                                      | +70                     | + 4.0%                    |
| General use: Repair products                               | 1,251                                     | 1,174                                      | -77                     | -6.2%                     |
| Professional use                                           | 869                                       | 839                                        | -29                     | -3.5%                     |
| Home care products, etc.                                   | 234                                       | 260                                        | +25                     | +10.9%                    |
| Foreign operations                                         | 765                                       | 818                                        | +53                     | +6.9%                     |
| TPMS: Tire-Pressure Monitoring System                      | 64                                        | 101                                        | +37                     | +57.5%                    |
| Electronic device                                          | 304                                       | 261                                        | -43                     | -14.3%                    |
| Others (Includes import sale and sale of resin containers) | -31                                       | -92                                        | -61                     | +196.7%                   |
| <b>Gross profit</b>                                        | <b>2,716</b>                              | <b>2,876</b>                               | <b>+160</b>             | <b>+5.9%</b>              |
| <i>Gross profit margin</i>                                 | 44.6%                                     | 46.8%                                      | +2.3 pt                 | —                         |
| <b>Operating profit</b>                                    | <b>599</b>                                | <b>738</b>                                 | <b>+138</b>             | <b>+23.1%</b>             |
| <i>Operating profit margin</i>                             | 9.8%                                      | 12.0%                                      | +2.2 pt                 | —                         |

# Porous Materials (Profit and loss: Year-on-year comparison)

- Net sales declined in the segment overall. While gross profit increased associated with improved gross profit margin, operating profit declined due to aggressive investments in research and development activities.
  - ✓ Regarding industrial materials, sales are struggling due to unfavorable market conditions in products for semiconductor and HDD manufacturing.
  - ✓ Regarding consumables, domestic sales of products for cars are growing.

| (In millions of yen)           | 2Q of the fiscal year<br>ended March 2019 | 2Q of the fiscal year<br>ending March 2020 | Year-on-year<br>changes | Year-on-year<br>% changes |
|--------------------------------|-------------------------------------------|--------------------------------------------|-------------------------|---------------------------|
| <b>Net sales</b>               | <b>2,896</b>                              | <b>2,769</b>                               | <b>-126</b>             | <b>-4.4%</b>              |
| Industrial materials           | 2,103                                     | 1,958                                      | -145                    | -6.9%                     |
| Domestic                       | 1,114                                     | 1,013                                      | -101                    | -9.1%                     |
| Overseas                       | 989                                       | 945                                        | -44                     | -4.4%                     |
| Consumables                    | 793                                       | 810                                        | +17                     | +2.2%                     |
| Domestic                       | 384                                       | 444                                        | +60                     | +15.6%                    |
| Overseas                       | 409                                       | 366                                        | -43                     | -10.4%                    |
| <b>Gross profit</b>            | <b>864</b>                                | <b>894</b>                                 | <b>+30</b>              | <b>+3.5%</b>              |
| <i>Gross profit margin</i>     | 29.8%                                     | 32.3%                                      | +2.5 pt                 | —                         |
| <b>Operating profit</b>        | <b>358</b>                                | <b>355</b>                                 | <b>-2</b>               | <b>-0.7%</b>              |
| <i>Operating profit margin</i> | 12.4%                                     | 12.8%                                      | +0.5 pt                 | —                         |

## Services (Profit and loss: Year-on-year comparison)

■ Both net sales and profit declined in the segment as a whole.

- ✓ In the auto service business, business performance could not surpass that of the preceding fiscal year, which benefitted from a one time surge in demand following a natural disaster, and resulted in a decline in net sales.
- ✓ In the driving school business, number of new students remained steady. Classes targeting senior citizens also performed well, contributing to an increase in net sales.
- ✓ In the planning and sales of household products business, a number of products deployed into the key co-op business decreased, resulting in lower net sales.

| (In millions of yen)                    | 2Q of the fiscal year<br>ended March 2019 | 2Q of the fiscal year<br>ending March 2020 | Year-on-year<br>changes | Year-on-year<br>% changes |
|-----------------------------------------|-------------------------------------------|--------------------------------------------|-------------------------|---------------------------|
| <b>Net sales</b>                        | <b>2,572</b>                              | <b>2,540</b>                               | <b>-32</b>              | <b>-1.3%</b>              |
| Auto service                            | 1,248                                     | 1,225                                      | -23                     | -1.9%                     |
| Driving school                          | 426                                       | 462                                        | +36                     | +8.5%                     |
| Planning and sale of household products | 897                                       | 852                                        | -45                     | -5.0%                     |
| <b>Gross profit</b>                     | <b>611</b>                                | <b>594</b>                                 | <b>-17</b>              | <b>-2.8%</b>              |
| <i>Gross profit margin</i>              | 23.8%                                     | 23.4%                                      | -0.4 pt                 | —                         |
| <b>Operating profit</b>                 | <b>69</b>                                 | <b>47</b>                                  | <b>-22</b>              | <b>-32.0%</b>             |
| <i>Operating profit margin</i>          | 2.7%                                      | 1.9%                                       | -0.8 pt                 | —                         |

# Real-Estate Related (Profit and loss: Year-on-year comparison)

- Net sales decreased and profit increased in the segment as a whole.
  - ✓ In the real-estate leasing business, net sales increased due to sustained occupancy rate.
  - ✓ In the bathhouse business, net sales decreased due to the impact of our competition's newly opened site in close vicinity to the company's existing sites, which could not be compensated by performance of other sites.
  - ✓ In the support for preventive long-term care business, net sales increased due to a mild recovery in rate of operation.

| (In millions of yen)                  | 2Q of the fiscal year<br>ended March 2019 | 2Q of the fiscal year<br>ending March 2020 | Year-on-year<br>changes | Year-on-year<br>% changes |
|---------------------------------------|-------------------------------------------|--------------------------------------------|-------------------------|---------------------------|
| <b>Net sales</b>                      | <b>717</b>                                | <b>712</b>                                 | <b>-5</b>               | <b>-0.7%</b>              |
| Real-estate leasing                   | 187                                       | 193                                        | +5                      | +2.9%                     |
| Bathhouse business                    | 504                                       | 493                                        | -10                     | -2.1%                     |
| Support for preventive long-term care | 25                                        | 26                                         | +0                      | +1.3%                     |
| <b>Gross profit</b>                   | <b>134</b>                                | <b>136</b>                                 | <b>+2</b>               | <b>+1.9%</b>              |
| Gross profit margin                   | 18.7%                                     | 19.1%                                      | +0.4 pt                 | —                         |
| <b>Operating profit</b>               | <b>111</b>                                | <b>115</b>                                 | <b>+4</b>               | <b>+3.8%</b>              |
| Operating profit margin               | 15.5%                                     | 16.2%                                      | +0.7 pt                 | —                         |



# Segment Information

(Comparison of net sales and operating profit by segment)



(In millions of yen)

| <b>Net sales</b>                    | 2Q of the fiscal year<br>ended March 2019 | Composition ratio | 2Q of the fiscal<br>year ending March<br>2020 | Composition ratio | Year-on-year<br>changes of<br>composition ratio |
|-------------------------------------|-------------------------------------------|-------------------|-----------------------------------------------|-------------------|-------------------------------------------------|
| Fine Chemicals                      | 6,095                                     | 49.6%             | 6,142                                         | 50.5%             | +0.9 pt                                         |
| Porous Materials                    | 2,896                                     | 23.6%             | 2,769                                         | 22.8%             | -0.8 pt                                         |
| Services and<br>Real-Estate Related | 3,290                                     | 26.8%             | 3,253                                         | 26.7%             | -0.0 pt                                         |
| Total                               | 12,282                                    | 100.0%            | 12,165                                        | 100.0%            | —                                               |

| <b>Operating profit</b>             | 2Q of the fiscal year<br>ended March 2019 | Composition ratio | 2Q of the fiscal<br>year ending March<br>2020 | Composition ratio | Year-on-year<br>changes of<br>composition ratio |
|-------------------------------------|-------------------------------------------|-------------------|-----------------------------------------------|-------------------|-------------------------------------------------|
| Fine Chemicals                      | 599                                       | 52.5%             | 738                                           | 58.7%             | +6.3 pt                                         |
| Porous Materials                    | 358                                       | 31.3%             | 355                                           | 28.2%             | -3.1 pt                                         |
| Services and<br>Real-Estate Related | 180                                       | 15.8%             | 162                                           | 12.9%             | -2.9 pt                                         |
| (*) Total                           | 1,142                                     | 100.0%            | 1,257                                         | 100.0%            | —                                               |

(\*) Total amounts include adjustments.

## IV: Progress of the Fifth Medium-term Management Plan

# Outline of Medium-term Management Plan

## (Theme and Vision)



- In this medium-term management plan, major changes in the business environment are treated as opportunities for business expansion and the period subject to this plan is positioned as the preparatory stage for future continuous growth. In addition to promoting projects that began to yield results during the previous medium-term plan, we will also focus on shifting to and creating new markets.

### Management principle

#### ■ Lifestyle-creating company

- ✓ Discover “future necessities”
- ✓ Remains the same as the 3rd medium-term management plan as the consistent management principle of the Group

### Business issues

- ✓ Respond to changes in business environment
- ✓ Acceleration of business expansion
- ✓ Improve operational efficiency through utilization of surplus funds

### Themes of medium-term plan

#### ■ **SHIFT DOWN!!**

- ✓ Shift to new markets and accelerate more vigorously by shifting down like automobiles
- ✓ Period: From April 2017 to March 2020

### Management vision of medium-term plan

#### [Automotive field]

- Create new connections between human and automobile towards the era of globalization for the automotive industry and the rise of high-tech automobiles

#### [Industrial field]

- Utilize surface modification technology and functional precision porous technology for solving a wide range of problems

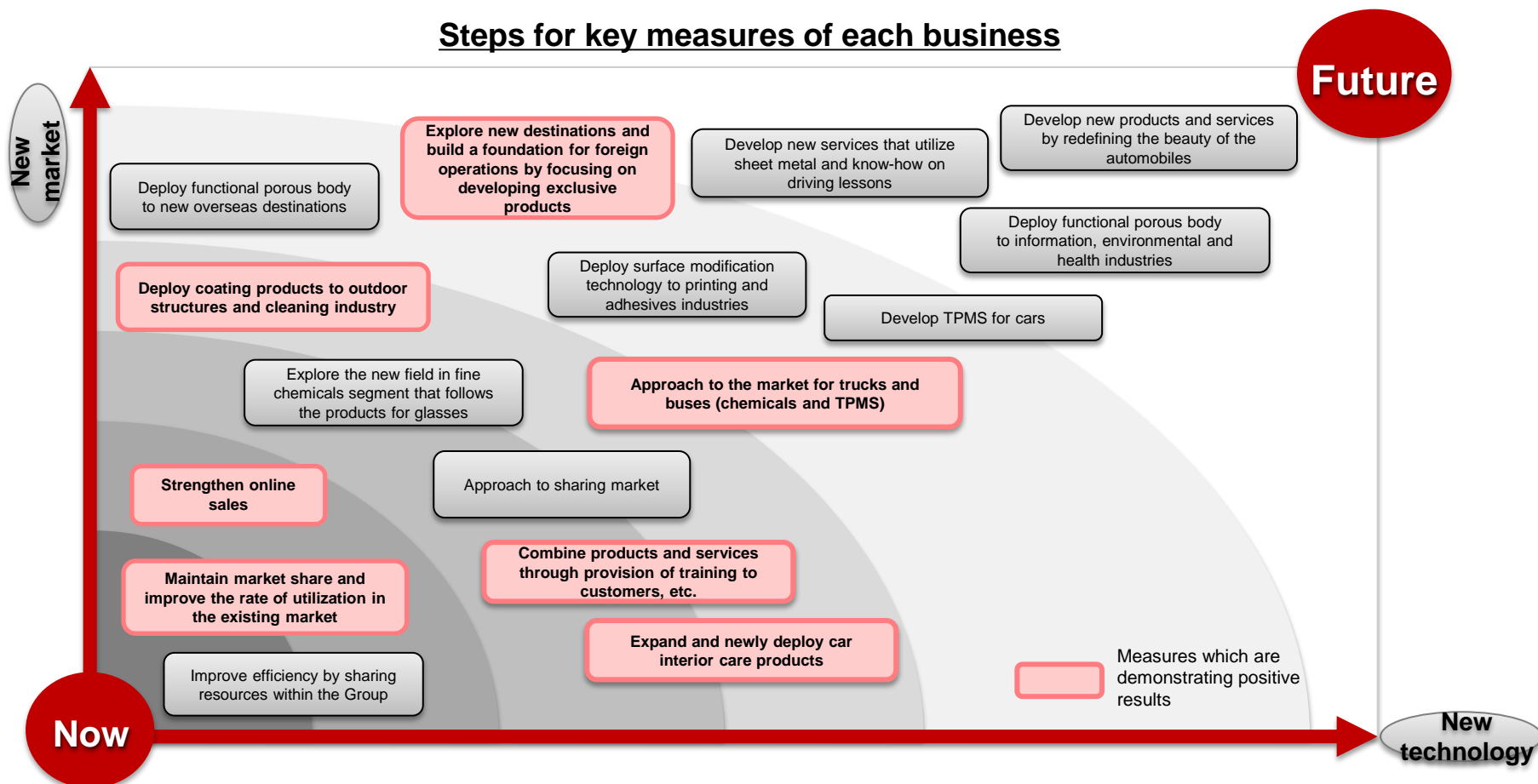
#### [Living field]

- Solve small problems and stress in daily life and create a more comfortable living environment

# Overall Progress of the Medium-term Management Plan

- Efforts have been showing progress in a number of measures, and in the final fiscal year of the current medium-term management plan, efforts are starting to bear fruit in the following measures.

## Steps for key measures of each business



# Progress of Key Measures

(1/10: Building a foundation for foreign operations)

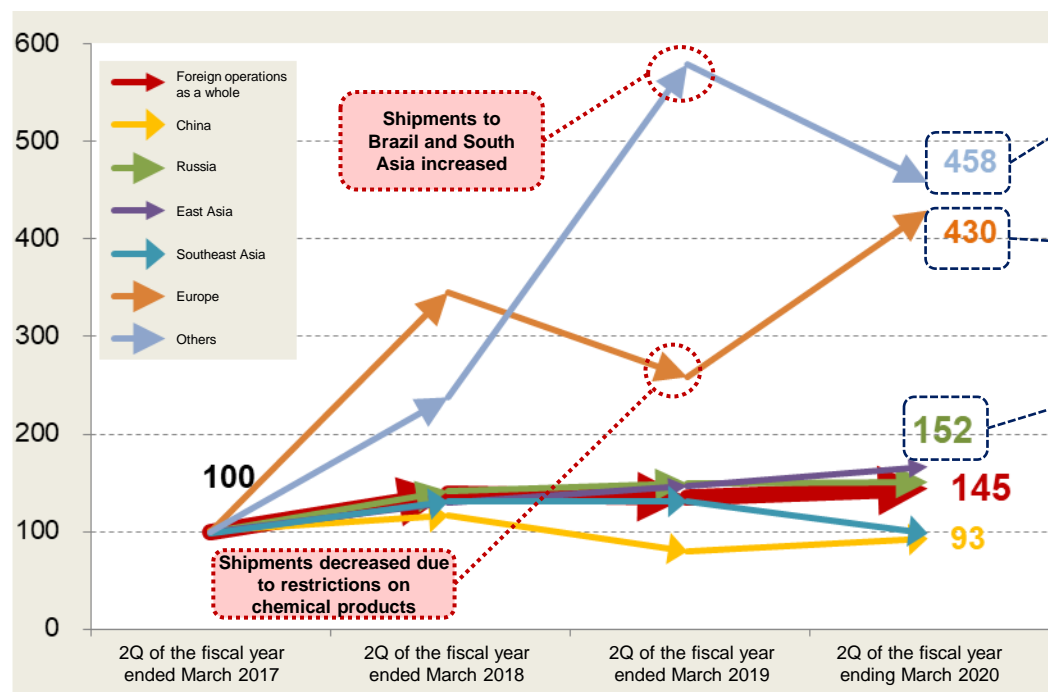


- **[Fine Chemicals]** Building a foundation for foreign operations by cultivating new sales areas and enhancing the development of exclusive products.

- ✓ Concentrate resources on Europe, Russia and South America that have been leading sales in recent years and strive to further expand sales.

## Changes in foreign operations' net sales

(Presented as indices assuming the results for the 2Q of the fiscal year ended March 2017 as 100)



\* Sales in China include those produced and sold by our local subsidiary in Shanghai.

## Progress during the final fiscal year of the medium-term plan

- ✓ Sales in Brazil continued to perform well, but shipments to South Asia declined, resulting in a year-on-year decline.
- ✓ Sales of products in conformance to regulations against the sale of chemical products started, leading to recovery of shipments.
- ✓ Shipments of glass coating products are robust in Russia.

**Foreign Sales**  
 Increase in excess of 40% against 2Q of fiscal year ended March 2018  
 (Annualized growth in excess of 30% for fiscal year ending March 2020)

# Progress of Key Measures (2/10:

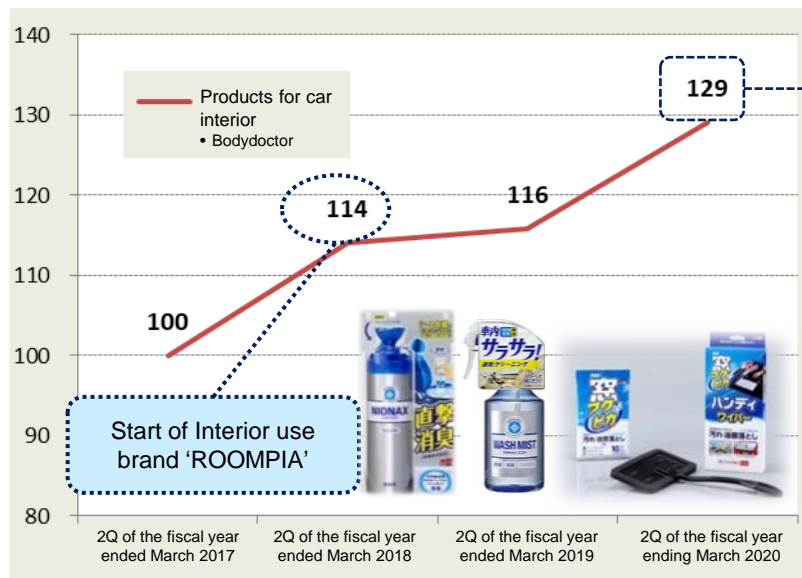
Expand car interior care products/  
Redefine the beauty of automobiles  
Approach to sharing market



- **[Fine Chemicals]** Proposal of new products in line with the changing automobile maintenance market (1)
  - ✓ In response to expansion of car sharing and an increase in high-tech automobiles, the view of the beauty of automobiles has expanded from exterior to interior. Continue to bolster the product lineup of car interior care products.

## Changes in net sales of car interior care products and glass cleaner

(Presented as indices assuming the results for March 2017 as 100)



- ✓ Beginning with the launch of "ROOMPIA" brand of car interior products in March 2017, the company is expanding its product line-up of car interior accessories.
- ✓ In the window Fuku Pika series, supplementary products, such as "HANDY WIPER," with which users can also clean the inside of windshields easily, also sold steadily.

## Progress during the final fiscal year of the medium-term plan

- ✓ Increase in sales of ROOMPIA "Leather Barrier," which launched in March 2019, drivers support cushion, "Body Doctor," and anti-fogging agent "Fukupika Glass Anti-Fog Gel," which also acts as a cleaner for the inside of window panes is steadily growing, pushing up overall net sales.



Bodydoctor



**Car Interior Care Products**  
**Increase of 30% against 2Q of fiscal year ended March 2018**  
**(Annualized growth of 50% for fiscal year ending March 2020)**

# Progress of Key Measures (3/10: Redefine the beauty of automobiles )



## ■ [Fine Chemicals] Proposal of new products in line with the changing automobile maintenance market (2)

- ✓ Sales of car wash products that address the need to reduce the time and labor of car washing remain strong.
- ✓ Propose products that respond to similar needs in the field of car wash chemical products and promote sales expansion.

### Changes in net sales of car wash products and car wash chemical products

(Presented as indices assuming the results for the 2Q of the fiscal year ended March 2017 as 100)



- ✓ As the role of cars transition from objects of hobbies to mere methods of transportation, sales of "Max Wash" series and "Rain Drop," which address the need to reduce the required time and effort in washing cars, will begin.

### Progress during the final fiscal year of the medium-term plan

- ✓ Sales of "Rain Drop," which launched in March 2019, are robust, reversing the downward trend of the body coat segment.
- ✓ The company is planning to air TV commercials in December targeting the year-end shopping season to drive further growth.



(Image from TV ad)

### Body Coating Products

Decrease in excess of 10% against 2Q of fiscal year ended March 2018

(Aiming for positive annualized for fiscal year ending March 2020)



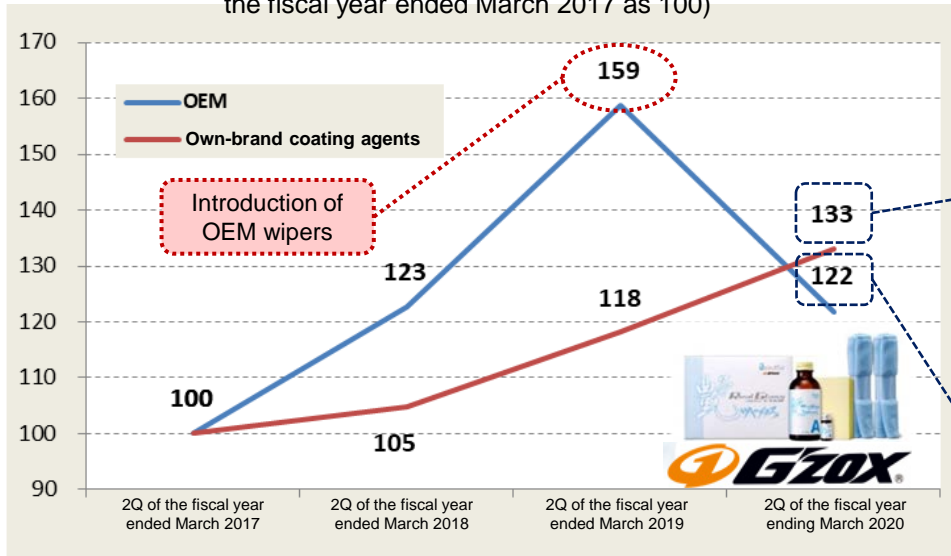
# Progress of Key Measure (4/10: Redefine the beauty of automobiles Maintain market share in the existing market)



- **[Fine Chemicals]** Building the brand and increasing share in the professional-use car body coating market (1)
  - ✓ Bring further high-value-added products of our own brand to the steady professional-use car coating market, and strive to expand sales.

## Changes in net sales of coating agent of our own brand and OEM products

(Presented as indices assuming the results for the 2Q of the fiscal year ended March 2017 as 100)



- ✓ From 2018, started to deliver water-repellent wipers, which were mainly for sales at retail stores, to imported car dealers as OEM products.
- ✓ From 2018, started to sell high-value-added coating agent to big used car dealers who are our customers.

## Progress during the final fiscal year of the medium-term plan

- ✓ With respect to the own-brand coating agent "G'ZOX," two new products were added to the high-value-added product "Hi-MOHS COAT" series to promote sales expansion.



- ✓ Due to channel inventory adjustments of water-repellent wiper products that were brought to the market in high volume in the previous period, OEM sales for the fiscal year ending March 2020 are expected to decrease compared with the previous period.

## Own-brand Professional-use Coating Agent

**Increase in excess of 20% against 2Q of fiscal year ended March 2018**

**(Annualized growth in excess of 20% for fiscal year ending March 2020)**







# Progress of Key Measures (5/10):

Redefine the beauty of automobiles/Maintain market share in the existing market  
Combine products and services through provision of training to customers, etc.

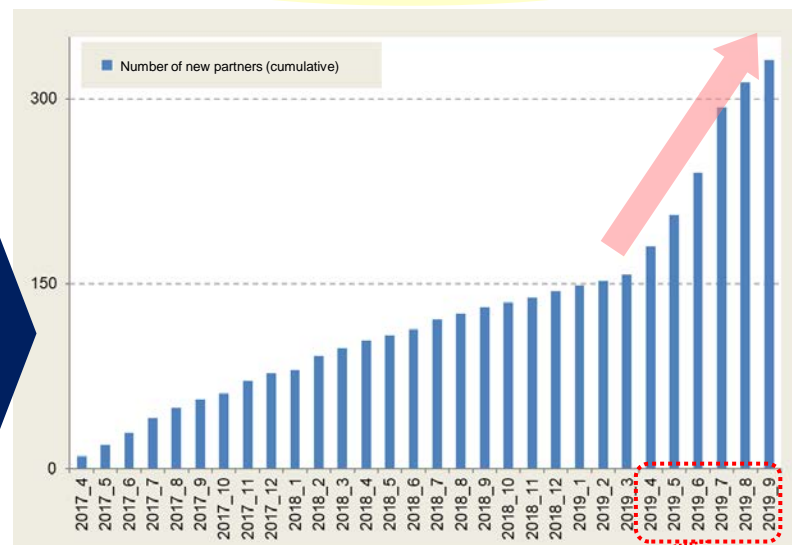


- **[Fine Chemicals]** Building the brand and increasing share in the professional-use car body coating market (2)
  - ✓ Body coating when a new car is purchased is becoming a necessity.
  - ✓ Boost users' confidence by providing highly convenient and transparent services in addition to products, and accelerate the maturation of the market.

## Combination of products and services in professional-use car body coating

|                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                              | <b>Further Service Enhancement (Since April 2019)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Bolstering of core functions | <b>Bolstering of training programs for customers (detailing shops)</b> <div>    </div> <p>Promote efforts to strive to improve work technology of detailing shops to which users can entrust detailing at ease and to cultivate a network of certified partner shops.</p> |
|                              | <b>Bolstering of touchpoints with customers by computerizing detailing certificate</b> <div>  </div> <p>Computerization of certificate makes it easy to manage. In addition to the development of continuous relations with customers and users, troubles at the time of re-detailing, etc. due to a loss of a certificate can be avoided.</p>                                                                                             |

**Change in cumulative number of new coating service providers who joined our partnership program during the current medium-term plan**



At the same time as the enhancement of the training program for customers and digitization of certificates started, the number of associations grew significantly from April 2019.

# Progress of Key Measures (6/10: Develop TPMS for cars Approach the truck and bus industry (chemical-TPMS) )

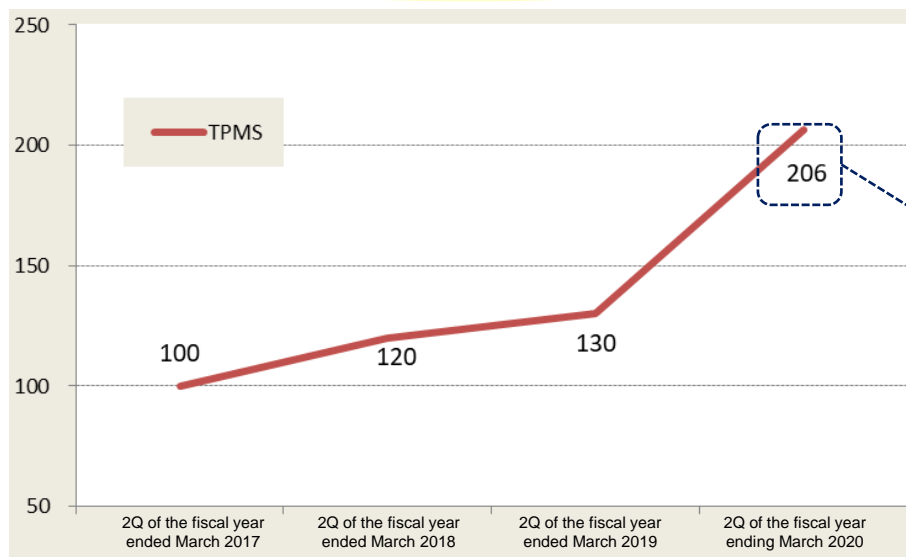


## ■ [Fine Chemicals] Expand sales of Tire-Pressure Monitoring System (TPMS)

- ✓ Intend to develop new products of TPMS for cars with our own-brand and OEM from June 2019.
- ✓ Aim to develop extensively with a view toward developing for special vehicles and light trucks.

### Changes in sales of TPMS

(Presented as indices assuming the results for March 2017 as 100)



- ✓ Sales of add-on TPMS for trucks and buses have been increasing steadily, centering on logistics and transportation companies.
- ✓ Sales increased even further during this fiscal year due to the roll out of TPMS OEM products for passenger cars and the launch of own-manufactured "Driver Compass."

### Goal of the final fiscal year of the medium-term plan

- ✓ Upgrade and expand products for cars in addition to products for trucks and buses that have been the main products for sale until now. Sales of OEM products and own manufacture TPMS started in first-half of 2019.

#### [Launched in June 2019]

Driver Compass  
(syncd to smartphones)



#### [Under development\*]

TPMS for special vehicles



### Sale of TPMS

**Growth equaling 2-fold of result from 2Q of fiscal year ended March 2018**  
**(Annualized growth equaling 2.5-fold for fiscal year ending March 2020)**

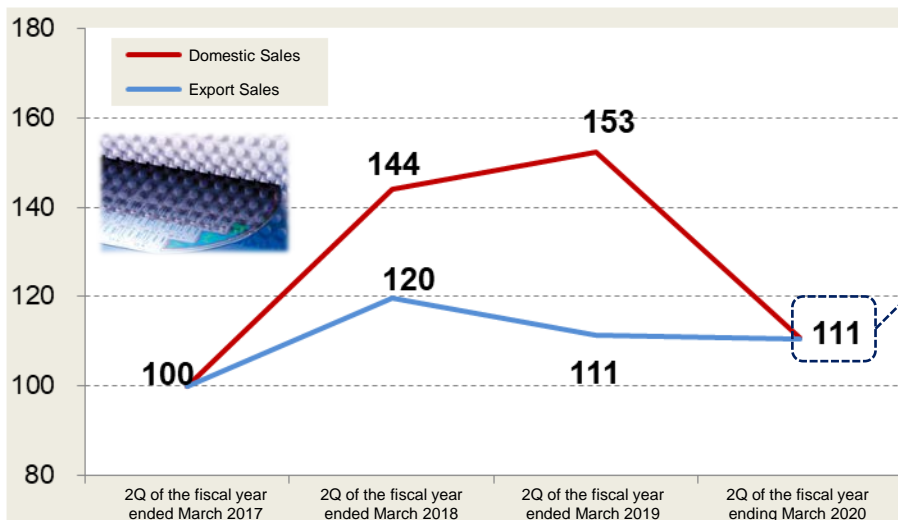
# Progress of Key Measures

## (7/10: Maintain market share in the existing market)

- **[Porous Materials]** Expand sales in the high-tech market for industrial materials
  - ✓ Due to a slump in the semiconductor market, shipments of semiconductor cleansing products declined in the first half of the fiscal year. Shipments of grinding stones for HDD were also weak.
  - ✓ Significant growth for fiscal year ending March 2020 is not expected, but in anticipation of medium to long term growth of the market, we will continue developing high quality products.

### Changes in sales of products for semiconductor production

(Presented as indices assuming the results for the 2Q of the fiscal year ended March 2017 as 100)



- ✓ Market remains stagnant due to changes in the environment surrounding semiconductors.
- ✓ Looking at domestic demand in particular, sales increased, supported by robust capital investment during the prior fiscal year, creating a significant gap once into the current fiscal year, with demand cooling off.

### Changes during the final fiscal year of the medium-term plan

- ✓ Although optimistic view of the semiconductor market cannot be taken in light of the current uncertainty in the market, gradual recovery is expected towards the second half of the current fiscal year ending March 2020.
- ✓ Based on the assumption that the market will grow in the medium- and long-term, high-quality cleaning materials required by semiconductor makers will continue to be developed.

**Sales In the Semiconductor Market**  
**Increase in excess of 10% against 2Q of fiscal year ended March 2018**  
**(Annualized growth in excess of 20% for fiscal year ending March 2020)**

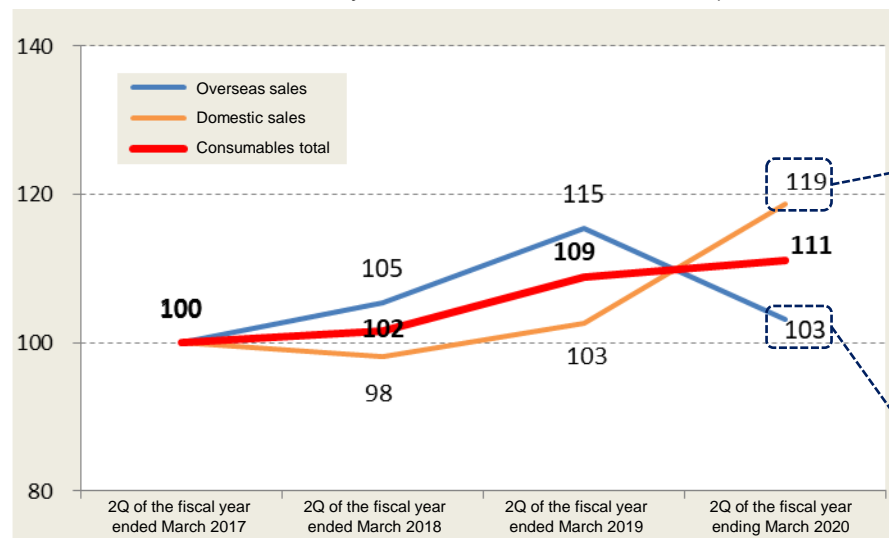
# Progress of Key Measures

## (8/10: Maintain market share in the existing market)

- **[Porous Materials]** Promote expansion of use of PVA products in the field of consumables
  - ✓ Launch new products for car and home care markets, and make efforts to generate synergy with existing products.

### Changes in sales of consumables

(Presented as indices assuming the results for the 2Q of the fiscal year ended March 2017 as 100)



- ✓ Investments in human resource and equipment aimed at boosting capacity, which began in 2018, was advanced and sales during the current fiscal year remained robust.
- ✓ Demand for OEM products for cars and home in the domestic market increased, contributing to an increase in net sales.

### Changes during the final fiscal year of the medium-term plan

- ✓ In regard to domestic sales, sales of OEM products, beginning with car related products, grew.
- ✓ In the second half of fiscal year ending March 2020, the company will continue to expand sales of products for cars and home care in the domestic market.



suuu Super Absorbent Porous Material Cube Aroma Diffuser



Bar

- ✓ In sales overseas, existing inventory was adjusted in the U.S. and Indonesia, two of our main export markets, and shipping activity became stagnant.

### Sale of Consumables

**Increase of 10% against 2Q of fiscal year ended March 2018**

**(Annualized growth of 10% for fiscal year ending March 2020)**

# Progress of Key Measures (9/10: Profit and Loss of Porous Material Sales)



## ■ [Porous Materials] Profits from industrial materials in the high-tech market

- ✓ The semiconductor market and market for grinding stones for HDD took a down turn in the current fiscal year ending March 2020, compensated by sales of consumables in the domestic market.
- ✓ The high-tech market is expected to make a recovery during the second half of the year.

### Comparison of Net Sales and Gross Profit

(Against 2Q of Fiscal Year Ended March 2019)

| (In millions of yen)    | 2Q of the<br>fiscal year<br>ended March<br>2019 | 2Q of the<br>fiscal year<br>ending March<br>2020 | Year-on-<br>year<br>changes | Year-on-<br>year<br>% changes |
|-------------------------|-------------------------------------------------|--------------------------------------------------|-----------------------------|-------------------------------|
| <b>Net sales</b>        | <b>2,896</b>                                    | <b>2,769</b>                                     | <b>-126</b>                 | <b>-4.4%</b>                  |
| Industrial materials    | 2,103                                           | 1,958                                            | -145                        | -6.9%                         |
| Domestic                | 1,114                                           | 1,013                                            | -101                        | -9.1%                         |
| Overseas                | 989                                             | 945                                              | -44                         | -4.4%                         |
| Consumables             | 793                                             | 810                                              | +17                         | +2.2%                         |
| Domestic                | 384                                             | 444                                              | +60                         | +15.6%                        |
| Overseas                | 409                                             | 366                                              | -43                         | -10.4%                        |
| <b>Gross profit</b>     | <b>864</b>                                      | <b>894</b>                                       | <b>+30</b>                  | <b>+3.5%</b>                  |
| Gross profit margin     | 29.8%                                           | 32.3%                                            | +2.5 pt                     | —                             |
| <b>Operating profit</b> | <b>358</b>                                      | <b>355</b>                                       | <b>-2</b>                   | <b>-0.7%</b>                  |
| Operating profit margin | 12.4%                                           | 12.8%                                            | +0.5 pt                     | —                             |

#### Net sales

- ✓ Industrial materials: decrease due to slump in semiconductor and HDD markets.
- ✓ Consumables: increase supported by strong domestic sales.

#### Gross profit

- ✓ Industrial materials: improvement in profitability of each product segment in association with changes in product sales mix.
- ✓ Profitability of other industrial materials recovered as a result of price adjustments.
- ✓ Consumables: high profitability was secured in comparison to the prior fiscal year associated with increase in ratio of domestic sales among total sales composition.

#### Year-on-year comparison:

- ✓ Net sales decreased (-4.4%)
- ✓ Gross profit increased (+3.5%)

# Progress of Key Measures (10/10: Deploy functional porous body to information, environmental and health industries )



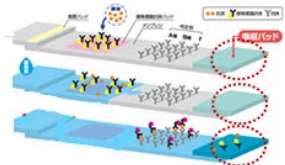
- **[Porous Materials]** Aim at establishing a key field for a new business through New Demand Creation activities
  - ✓ Aiming for new product proposals based on horizontal expansion of existing products in the medical field, the company will boost resources in marketing, R&D and sales.
  - ✓ The company is currently in implementation stage of Step-1, aiming to make the transition from a parts supplier to product supplier, with plans to take forward steps in order.

Efforts toward developing and expanding products for environmental use  
 “Develop a new market by improving product performance in the field of waste water treatment”

We have been promoting the New Demand Creation (NDC) activities and researching the potential use of the PVA sponge with a central focus on the medical field.

## Until Today (Up to 2018)

The Company's PVA sponge was adopted as liquid absorbing materials inside influenza test kits or internal parts of suction devices. (All images are for illustrative purposes only.)



## Step-1 (2019 and beyond)

### Propose products by applying to similar products

- Liquid absorbing sponge for medical testing devices
- Tuberculosis test filter
- Next generation liquid absorbing pad
- Virus test kit, etc.

**Obtain license to manufacture and sell general (Class I) medical devices**

## Step-2

Make various investments for increasing production volume

## Step-3

Change from a supply of materials and parts to a development and production system under which the company can manufacture end products by itself

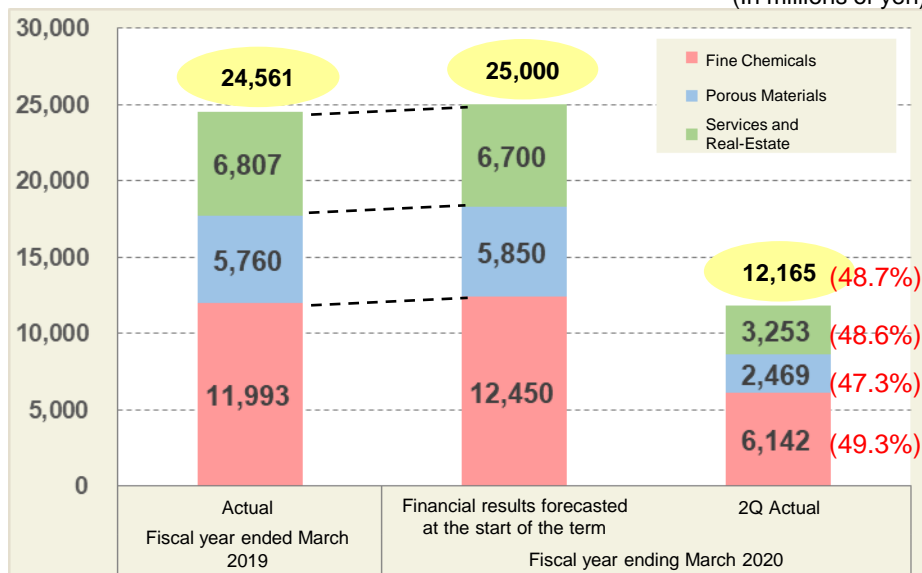
Going forward, assume that as each step progresses, efforts will be made to improve the environment including cleaning factories, bolstering various resources, etc., in order to manufacture precision products for medical use.



# Progress of the Profit and Loss Plan

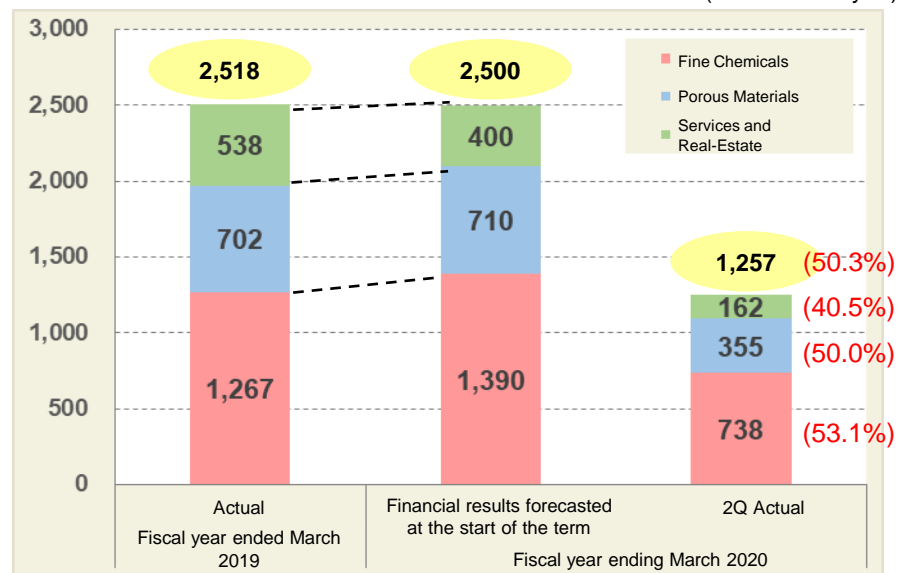
- 2nd quarter results of the current fiscal year mark approximately 50% progress against the plan established at the beginning of the year.
  - ✓ The forecast for financial results for the full fiscal year ending March 2020 predicts consolidated net sales of 25 billion yen which is the planned figure for the final fiscal year of the medium-term business plan.
  - ✓ Consolidated operating profits reached 2.7 billion yen by the end of the first fiscal year, which is aligned with the original plan, but due to increase in depreciation charge associated with enhanced production capacity, the company forecasts 2.5 billion yen for the current fiscal year ending March 2020.

**Final Year of the Fifth Medium-term Management Plan**  
**Forecasted Full Fiscal Year Net Sales and 2Q Progress Rate**  
 (In millions of yen)



\* Figures in () in red fonts are progress rates against forecasted financial results

**Final Year of the Fifth Medium-term Management Plan**  
**Forecasted Full Fiscal Year Operating Profit and 2Q Progress Rate**  
 (In millions of yen)



\* Figures in () in red fonts are progress rates against forecasted financial results

\* Consolidated adjustments are not included in financial results by business segment.

# Policy on Return to Shareholders

- With regard to return to shareholders, the company's basic policy is to continue stable payout dividends and we have amended the threshold of the return to shareholders to "20% of Operating Profits," beginning with the current medium-term management plan.
- We plan to use retained profits as investments to expand future business and strengthen management structure.

## Dividend payments and forecasts

|                                                   | Fiscal year ended<br>March 2018<br>(Actual) | Fiscal year ended<br>March 2019<br>(Actual) | Fiscal year ending<br>March 2020<br>(Forecast) |
|---------------------------------------------------|---------------------------------------------|---------------------------------------------|------------------------------------------------|
| Consolidated operating profit<br>(in million yen) | 2,747                                       | 2,518                                       | <b>2,500</b>                                   |
| Consolidated net profit (in million yen)          | 1,919                                       | 1,861                                       | <b>1,820</b>                                   |
| Total dividends (in million yen)                  | 478                                         | 502                                         | <b>(*2) 520</b>                                |
| Interim dividends per share (yen)                 | 11.0                                        | 11.0                                        | <b>12.0</b>                                    |
| Year-end dividends per share (yen)                | 11.0                                        | 12.0                                        | <b>12.0</b>                                    |
| <b>Annual dividends per share (yen)</b>           | <b>22.0</b>                                 | <b>23.0</b>                                 | <b>24.0</b>                                    |
| Total dividends divided<br>by operating profit    | <b>(*1) 17.4%</b>                           | <b>19.9%</b>                                | <b>20.8%</b>                                   |
| (Reference) Dividend payout ratio                 | 24.8%                                       | 26.8%                                       | <b>28.6%</b>                                   |

\*1: Return to shareholders related to the acquisition of treasury shares is not included.

If the acquisition of treasury shares of 93 million yen that was resolved during the period is included, the total return to shareholders divided by operating profit for the fiscal year ended March 2018 equals 20.8%.

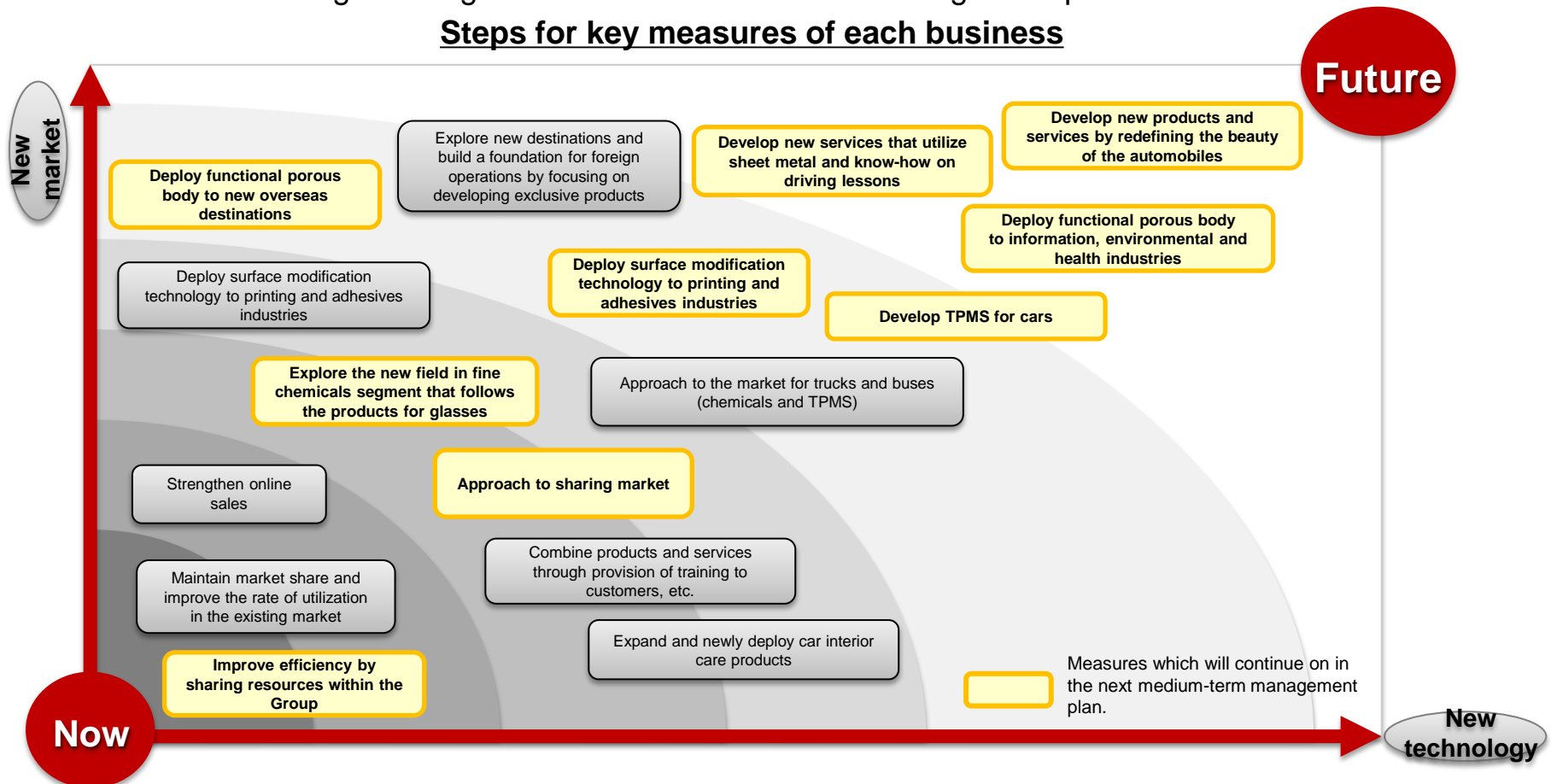
\*2: The figure was temporarily calculated using the average number of shares during the fiscal year ended March 2019 and it is not a fixed amount.



# Challenges Carried Forward to the Next Medium-term Management Plan

- Regarding measures which goals were set when the current medium-term management plan was established and have not yet been achieved, the company anticipates that these measures will be carried forward as continuing challenges in the next medium-term management plan.

## Steps for key measures of each business



Thank you very much for  
your attention.