

For the Fiscal Year Ended March 2020

SOFT99 corporation

Materials for the Financial Results Briefing

May 29, 2020

- These materials include forecasts, expectations, assessments, plans, and strategies concerning the future. The descriptions and statements based on these future projections include product demand fluctuations, economic trends, weather and other risks and uncertainties.
- The descriptions and statements based on any of the future projections that are included in these materials are based on information available when the materials were prepared, and we assume no obligation to update such descriptions and statements.
- In addition, such descriptions and statements do not constitute a guarantee of future results; actual results may substantively differ from our current expectations. These differences could be caused by many factors.





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I: Outline of the Corporate Group





SOFT99 corporation

Established October 28, 1954

Capital ¥2,310,056,000

Representative President and CEO Hideaki Tanaka

No. of employees 215 (as of March 31, 2020; unconsolidated)

car and home care





Subsidiaries and Affiliates

Company name		Location	Stated capital or contribution	Percentage of our ownership of voting rights	Relationship
AION Co., Ltd.	Z	Chuo Ward, Osaka	¥482 mil.	100.0%	Financial assistance and real estate leasing Concurrently appointed directors
ASMO Co., Ltd.	SMO ORPORATION	Chuo Ward, Osaka	¥80 mil.	100.0%	Financial assistance and real estate leasing Concurrently appointed directors
Shanghai SOFT99 Chemical Co., Ltd.	799	Shanghai, People's Republic of China	US\$5,650 k	100.0%	Concurrently appointed directors
SOFT99 autoservice Co., Ltd.	799	Chuo Ward, Osaka	¥50 mil.	100.0%	Financial assistance and real estate leasing Concurrently appointed directors
KURASHIKIKAKU Co., Ltd.	K	Koto Ward, Tokyo	¥50 mil.	100.0%	Concurrently appointed directors and real estate leasing
Arise Inc.	A-RISE	Chuo Ward, Osaka	¥50 mil.	100.0%	Financial assistance and real estate leasing Concurrently appointed directors
Orange Japan Inc.	Orange JAPAN	Koto Ward, Tokyo	¥30 mil.	100.0%	Financial assistance and real estate leasing Interlocking directors
ANTERIA Co., Ltd.	.Anteria	Chuo Ward, Osaka	¥10 mil.	100.0%	Financial assistance and real estate leasing
HANERON Co., Ltd.	RON	Yao City, Osaka	¥33 mil.	100.0%	Concurrently appointed directors (Note) As of March 31, 2020

(Note) As of March 31, 2020



Outline of Operating Segments

Operating segments	Subsegments	Operating companies
	Consumer products (for automobiles)	
	Professional-use products (for automobiles and other industries)	SOFT99 corporation
Fine	Home-care products	
Chemicals	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.
Porous	Industrial materials	ALON Co. Ltd.
Materials	Consumables	AION Co., Ltd.
	Auto service business	SOFT99 autoservice Co., Ltd.
Services	Driving school business	ASMO Co., Ltd.
	Planning and sale of household products	KURASHIKIKAKU Co., Ltd.
	Real-estate leasing business	SOFT00
Real-Estate Related	Bathhouse business	SOFT99 corporation
Relateu	Support for preventative long-term care	Arise Inc.



II: Outline of Consolidated Results



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

- Sales of Fine Chemicals—SOFT99's key segment—grew, but those for other segments fell, reducing the Company's overall sales.
- In addition to decreased gross profit due to lower sales, increases in selling and administrative expenses for the future reduced the overall profit.

(In millions of yen)

		Fiscal year ended March 2019	Fiscal year ended March 2020	Year-on-year changes	Year-on-year % changes
Net sales		24,561	24,434	-127	-0.5%
0 51		8,969	8,946	-22	-0.2%
Gross profit	Gross profit margin	36.5%	36.6%	+0.1 pt	_
Selling, general an expenses	Selling, general and administrative expenses		6,524	+73	+1.1%
Operating profit		2,518	2,421	-96	-3.8%
Operating profit	Operating profit margin	10.3%	9.9%	−0.4 pt	_
Ordinary profit		2,685	2,585	-100	-3.7%
Net income before income taxes		2,672	2,608	-64	-2.4%
Net income attributable t parent company	o shareholders of	1,861	1,824	-37	-2.0%

Condensed Consolidated Cash Flow



(Year-on-year comparison)

(In millions of yen)

	Fiscal year ended March 2019	Fiscal year ended March 2020
Cash flow from operating activities	2,377	2,606
Cash flow from investing activities	-941	-1,077
Cash flow from financing activities	-270	-563
Effect of exchange rate fluctuations on cash and cash equivalents	-1	-0
Net increase (decrease) in cash and cash equivalents	1,165	964
Cash and cash equivalents at the beginning of the year	15,653	16,818
Cash and cash equivalents at the end of the year	16,818	17,782

Depreciation expense	793	796
Capital expenditures (*)	723	783

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

Condensed Consolidated Balance Sheet



(Year-on-year comparison)

(In millions of yen)

		March 31, 2019	March 31, 2020	Year-on- year changes			March 31, 2019	March 31, 2020	Year-on- year changes
Cı	ırrent Assets	24,777	25,725	+947	Cu	rrent Liabilities	3,250	3,316	+66
	Cash and deposits	17,496	18,274	+778	,	Accounts payable	1,121	1,109	-12
	Accounts receivable	3,786	3,720	-65	Ī	Income taxes payable	323	518	+195
	Marketable securities	200	200	-0		Payables and accrued expenses	1,317	1,206	-110
	Inventories	3,058	3,333	+275	(Others	487	481	-5
	Others	236	195	-41		n-current ibilities	3,610	3,558	-52
	on-current ssets	29,089	29,529	+440	Tot	tal Liabilities	6,860	6,874	+14
	Property, plant and equipment	22,268	22,214	-53	Net	t Assets	47,006	48,380	+1,373
	Intangible assets	162	199	+36	3	Shareholders' equity	46,566	47,941	+1,374
	Investments and other assets	6,657	7,115	+457		Accumulated other comprehensive income	440	438	-1
	Assets	53,867	55,255	+1,388	Lia	abilities and Net Assets	53,867	55,255	+1,388

Consolidated Highlight Financial Indicators (Year-on-year comparison)



	Fiscal year ended March 2019	Fiscal year ended March 2020	Year-on-year changes
Total assets (million yen)	53,867	55,255	+1,388
Net assets (million yen)	47,006	48,380	+1,373
Equity ratio	87.3%	87.6%	+0.3 pt
ROA (Ordinary profit/Total assets*)	5.0%	4.7%	-0.3 pt
ROE (Net profit/Net assets*)	4.0%	3.8%	−0.2 pt
Total asset turnover (Net sales/Total assets*)	0.46	0.45	-0.01
Net income per share (yen)	85.81	83.74	-2.07

^{*} Average of figures at the beginning and the end of the fiscal year.

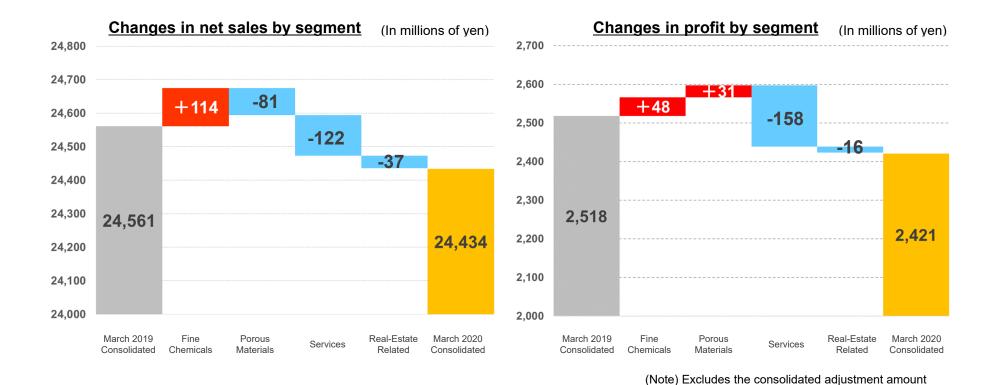


III: Outline of Segment Results



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

■ Fine Chemicals—the key segment—saw both sales and profits rise, but the increased sales and profits failed to cover decreases in other segments' sales and profits, reducing the Company's overall sales and profits.





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

- ■Both net sales and profit increased as a whole.
 - ✓ Among the general-use products, sales of new car-exterior care products and glass-care products (wipers) were strong.
 - ✓ In the overseas business, sales recovered because sales of products meeting the European chemical substance regulations began.
 - ✓ Professional-use products saw OEM sales fall. Sales of other products declined substantially from the effect of returned tire chains due to unprecedentedly warm winter.

(In millions of yen)	Fiscal year ended March 2019	Fiscal year ended March 2020	Year-on-year changes	Year-on-year % changes
Net sales	11,993	12,108	+114	+1.0%
General-use products: Car-exterior care	1,776	1,866	+89	+5.1%
General-use products: Glass care	3,459	3,681	+221	+6.4%
General-use products: Repair products	2,264	2,255	-8	-0.4%
Professional-use products	1,754	1,649	-104	-6.0%
Home-care products, etc.	598	697	+98	+16.6%
Foreign operations	1,295	1,400	+104	+8.1%
TPMS (Tire-Pressure Monitoring System)	160	185	+25	+15.6%
Electronic device and software development	525	563	+38	+7.2%
Others and adjustments	157	-192	-350	-222.6%
Gross profit	5,567	5,624	+56	+1.0%
Gross profit margin	46.4%	46.4%	± 0.0 pt	-
Operating profit	1,267	1,316	+48	+3.8%
Operating profit margin	10.6%	10.9%	+0.3 pt	<u> </u>



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

- ■Net sales decreased and profit increased in the segment as a whole.
 - ✓ The industrial materials segment remained sluggish due to the slowdown of the semiconductor market that resulted from US-China trade disputes, but overseas sales grew because of customers' requests for larger inventories due to COVID-19 during the fourth quarter.
 - ✓ In the consumables segment, while domestic demand remained strong, overseas sales for the USA remained stagnant in terms of overseas markets.
 - Despite the early defraying of expenses for the future, such as growth in personnel and research expenses, operating profit exceeded that for the previous period thanks to the improved operating profit margin.

	(In millions of yen)		Fiscal year ended March 2020	Year-on-year changes	Year-on-year % changes
Net sale	Net sales		5,678	-81	-1.4%
Ind	dustrial materials	4,164	4,224	+60	+1.4%
	Domestic	2,122	2,095	-27	-1.3%
	Overseas	2,042	2,129	+87	+4.2%
Со	onsumables	1,596	1,455	-141	-8.8%
	Domestic	751	854	+103	+13.7%
	Overseas	845	601	-244	-28.9%
Gross p	rofit	1,746	1,829	+83	+4.8%
	Gross profit margin	30.3%	32.2%	+1.9 pt	_
Operatir	ng profit	702	733	+31	+4.4%
	Operating profit margin	12.2%	12.9%	+0.7 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, sales declined because some of the factories suspended operation due to equipment renewal. Also, orders from customers, who had limited orders when there was special demand due to typhoon damage during the previous period, were slow to recover. This was the major reason for the reduced profit.
 - ✓ In the driving school business, sales for general training sessions were strong. Sales for training sessions for seniors, etc. were also strong.
 - ✓ In the planning and sale of household products, sales for consumer cooperatives and EC grew because consumers voluntarily refrained from going out as COVID-19 spread during the fourth quarter and thereafter.

	(In millions of yen)	Fiscal year ended March 2019	Fiscal year ended March 2020	Year-on-year changes	Year-on-year % changes
Net	sales	5,343	5,221	-122	-2.3%
	Auto service	2,617	2,407	-210	-8.0%
	Driving school	902	969	+67	+7.4%
	Planning and sale of household products	1,823	1,843	+20	+1.1%
Gro	ss profit	1,354	1,209	-144	-10.7%
	Gross profit margin	25.3%	23.2%	−2.1 pt	_
Ope	rating profit	280	121	-158	-56.7%
	Operating profit margin	5.2%	2.3%	−2.9 pt	_



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

- ■Both net sales and profit declined in the segment as a whole.
 - ✓ In the real-estate leasing business, sales grew due to the stable operation of owned properties.
 - ✓ Sales for the bathhouse business fell below those for the previous period because the number of users decreased after COVID-19 started to spread in addition to the effects of new bathhouses opened by competitors in the neighborhood.
 - ✓ Affected by decreased sales for the bathhouse business, operating profit also declined.

(In millions of yen)		Fiscal year ended March 2019	Fiscal year ended March 2020	Year-on-year changes	Year-on-year % changes
Net sales		1,464	1,426	-37	-2.6%
	Real-estate leasing	379	387	+8	+2.3%
	Bathhouse business	1,033	988	-45	-4.3%
	Support for preventive long-term care	51	50	-1	-3.5%
Gro	ss profit	297	284	-13	-4.5%
	Gross profit margin	20.3%	19.9%	−0.4 pt	_
Оре	erating profit	258	241	-16	-6.5%
	Operating profit margin	17.6%	16.9%	−0.7 pt	_

Segment Information



(Comparison of net sales and operating profit by segment)

(In millions of yen)

Net sales	Fiscal year ended March 2019	Composition ratio	Fiscal year ended March 2020	Composition ratio	Year-on-year changes of composition ratio
Fine Chemicals	11,993	48.8%	12,108	49.6%	+0.8 pt
Porous Materials	5,760	23.3%	5,678	23.2%	−0.1 pt
Services and Real-Estate Related	6,807	27.8%	6,647	27.2%	−0.6 pt
Total	24,561	100.0%	24,434	100.0%	-

Operating profit	Fiscal year ended March 2019	Composition ratio	Fiscal year ended March 2020	Composition ratio	Year-on-year changes of composition ratio
Fine Chemicals	1,267	51.8%	1,316	54.4%	−2.6 pt
Porous Materials	702	30.5%	733	30.3%	+0.2 pt
Services and Real-Estate Related	538	17.4%	363	15.0%	+2.4 pt
(*) Total	2,518	100.0%	2,421	100.0%	-

(*) Total amounts include the consolidated adjustment amount



IV: New Medium-term Management Plan

(Same as in the materials disclosed on May 15, 2020)

[Points to note concerning the assumptions for planning (effects of COVID-19)]

- The spread of COVID-19 is likely to have various positive and negative effects on the Company's business. When it was developed, however, this plan took into account only events whose effects on the performance of the Company had become clear to a certain extent by May 15, 2020 (such as the suspension of some of the SOFT99 Group's businesses and voluntary restraint on its business operations for a certain period of time due to the state of emergency declared by the Japanese government in April 2020).
- The effects of the spread of COVID-19 in Japan and abroad, the prolongation of measures taken to cope with the pandemic, and other factors on the Company's business may change in the future. If major effects on the plan become clear in the future, the Company will inform you of changes in the plan through its website and the Tokyo Stock Exchange's TDnet.



SOFT99 Group The Sixth Medium-term Management Plan

(From April 2020 to March 2023)



SOFT99 corporation May 15, 2020

- These materials include forecasts, expectations, assessments, plans, and strategy concerning the future.
- The prospects of future financial results included in these materials are made based on information available when these materials are published, and actual financial results may be different from projected ones due to various factors. The Company assumes no obligation to update the descriptions and statements based on forecasts for the future.
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[1] Review of the Previous Medium-term Management Plan



[1] Review of the Previous Medium-term Management Plan (1/6: Progress in Principal Measures)



■ The planned "measures for new markets" produced certain results, but overall, the goals were half-way achieved.

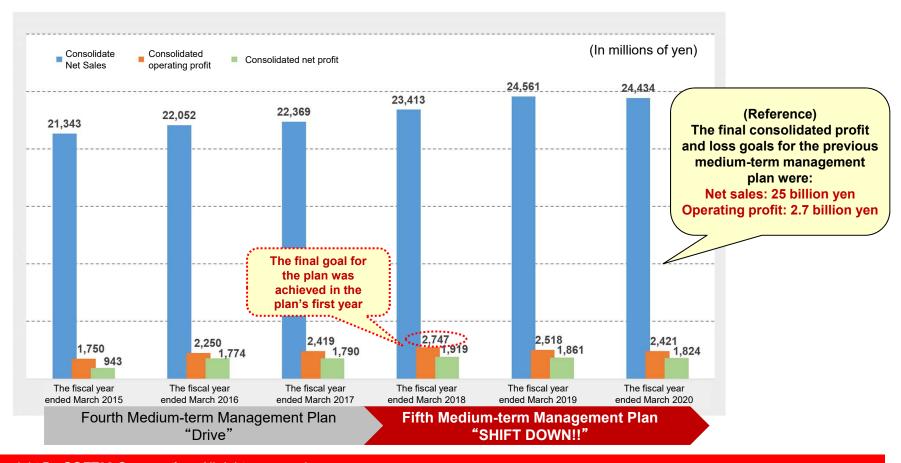
	Basic policy for the previous medium-term plan	Principal measures by business segment (note)		Market environment and the progress of principal neasures during the previous medium-term plan
	comfort in the automobiles of	(F) Build the business foundation for overseas sales expansion	00	Sales growth in Europe and Russia Foothold gained for increasing sales in South Asia and South America as well
Automotive field		(F) Redefine the beauty of automobiles in a way that meets changes in the environment surrounding them	Δ 0	Sales did not increase substantially despite sales efforts in new channels such as the sharing economy Growth in sales of professional-use products in existing fields
		(F) Strengthen the TPMS sales network for trucks and buses, and add TPMS products for passenger cars		The number of new models equipped with TPMS increased more slowly than expected Sales of TPMS products added later grew steadily, but sales volumes were not enough
		(S) Develop new services that utilize sheet metal and expertise in driving lessons	Δ	Service development progressed, but commercialization will take more time
	Develop new markets that become a pillar of the Company's business	(P) Deploy functional porous bodies to to information, environmental and health industries	О Δ	 Sales for the information industry rose due to favorable conditions in the semiconductor market Challenges remain in deployment to environmental and health industries
Industrial field		(F) Deploy coating products to outdoor structures and the cleaning industry	Δ	 Demand was confirmed as the construction of collaboration systems with partner companies progressed, but profits could not be increased during the period.
		(F) Deploy surface modification technology to the printing and adhesives industries	Δ	 Demand was confirmed as the construction of collaboration systems with partner companies progressed, but profits could not be increased during the period.
		(F) Explore a new field in the fine chemicals segment that follows products for glasses	Δ	 The application of water-repelling technology to other fields progressed, but product categories that became a new pillar of business could not be created.
Living field	Establish the Company's presence in this niche market	(S) Strengthen online sales		 Mail-order sales for consumer cooperatives remained strong. SOFT99's own EC did not grow.
		(F·P·S·R) Improve efficiency by sharing resources within the Group	0	The sharing of sales channels between segments helped to increase sales of consumables in the porous materials segment

(Note) (F) Fine Chemicals (P) Porous Materials (S) Services (R) Real-Estate Related

[1] Review of the Previous Medium-term Management Plan (2/6: Progress in Principal Measures)



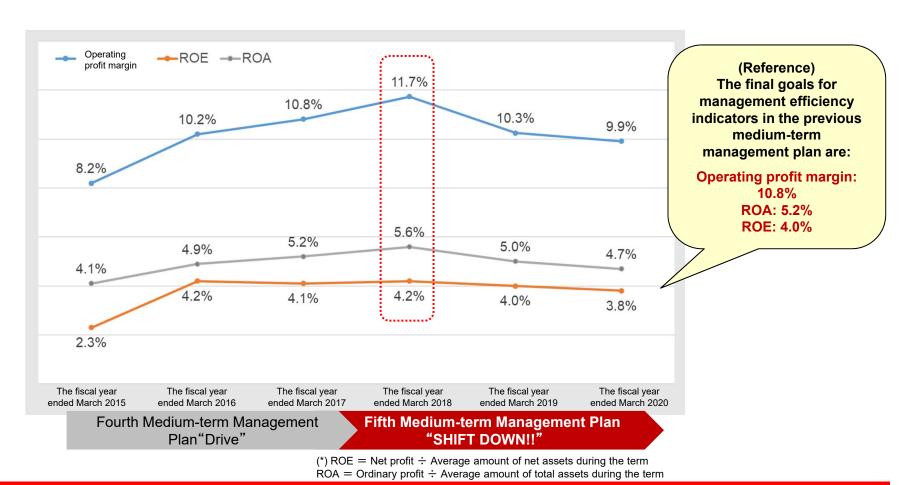
- The sales goal of 25 billion yen for the last year of the Fifth medium-term plan was not achieved (The achievement ratio was 97.7%).
- The operating profit goal of 2.7 billion yen for the last year of the Fifth medium-term plan was achieved in the term to March 2018. In the term to March 2019 and thereafter, operating profit decreased due to factors such as personnel increases to reinforce production capacity and bringing forward investments for the future earlier than initially planned.



[1] Review of the Previous Medium-term Management Plan (3/6: Progress in Principal Measures)



- The final goal set for each indicator in the plan was achieved in the plan's first year (term to March 2018).
- In the term to March 2019 and thereafter, each indicator declined as operating profit fell.



[1] Review of the Previous Medium-term Management Plan (4/6: Progress in Principal Measures)



- Fine Chemicals drove the expansion of sales volumes (including the start of new businesses through M&A).
- After reaching 2.7 billion yen (the previous medium-term plan's final goal) in the first year of the Plan, operating profit remained at almost the same level as for the final year of the 2015 2017. This was mainly due to securing personnel for the future and that various investments made earlier than initially planned.

(In millions of yen)

		Net sales		Operating profit				
Operating segments	Fourth Medium-term Management Plan March 2017	Fifth Medium-term Management Plan March 2020	Year-on-year changes	Fourth Medium-term Management Plan March 2017		Fifth Medium-term Management Plan March 2020	Year-on- year changes	
Fine Chemicals	10,806	12,108	+1,302	1,305		1,316	+11	
Porous Materials	5,178	5,678	+500	698		733	+35	
Services	4,942	5,221	+279	144		121	-23	
Real-Estate Related	1,441	1,426	-15	261		241	-20	
(Adjustments)	_	_	_	9		8	-1	
Total	22,369	24,434	+2,065	2,419		2,421	+2	

[1] Review of the Previous Medium-term Management Plan (5/6: Progress in Principal Measures)



■ The previous medium-term management plan considered fine chemicals and porous materials as growth drivers. In these two segments, while the creation of new businesses through development of new products and services was half-way achieved, sale of products and services in existing fields remained strong.

Changes in net sales (by sub-segment for fine chemicals and porous materials)

				n-term Mana HIFT DOWN			
(In millior	s of yen)	Fiscal year ended March 2017	Fiscal year ended March 2018	Fiscal year ended March 2019	Fiscal year ended March 2020	2020-2017	Results for the Fifth Medium-term Management Plan
General-use: Ca	r-exterior care	1,938	1,948	1,776	1,866	-72	A wider range of products to make the cabin comfortable and wash cars in a shorter time were offered, but they did not become major pillars of business.
General-use: Gla	iss care	3,452	3,610	3,459	3,681	+229	Sales of GLACO, the brand for water-repelling products marketed with security, safety, and comfort as their selling points, grew.
General-use: Re	pair products	2,185	2,194	2,264	2,255	+70	Sales of products continued to grow slightly as the age of cars registered in Japan rose.
Sales of profess products	ional-use	1,431	1,439	1,754	1,649	+218	In the automotive field, sales of both coating products and OEM products under the SOFT99 brands increased.
Home-care prod	ucts, etc.	581	589	598	697	+116	As demand for anti-infectious disease masks grew, sales of anti-mist and other glass-care products rose.
Foreign operations 1		1,050	1,395	1,295	1,400	+350	Sales for Europe and Russia grew. Sales of products for South America, a new market, stabilized and then increased.
Planning and sale of TPMS		99	130	160	185	+86	Sales of products for trucks and buses rose steadily. Sales of OEM products for passenger cars began in 2019.
Electronic device software	e and	_	_	525	564	+564	Sales of these products began as a new business through M&A. Synergy effects with development in the area of existing products were expected.
Others and adjust	stments	67	129	157	-192	-259	Winter products returned due to the unprecedentedly warm winter had major effects on the term to March 2020.
Total for fine	chemicals	10,803	11,434	11,988	12,105	+1,302	
Industrial	(Domestic)	1,876	2,098	2,122	2,095	+219	Sales grew steadily due to the brisk semiconductor market.
materials	(Exports)	1,792	1,830	2,042	2,129	+337	Sales grew steadily due to the brisk semiconductor market.
Consumables	(Domestic)	703	730	751	854	+150	The sharing of sales resources with fine chemicals helped to increase sales of household and automotive products.
Consultables	(Exports)	807	802	845	601	-206	Logistic inventories had to be adjusted due to the sluggish performance of North American customers, causing sales to decline.
Total for porous	materials	5,179	5,460	5,760	5,679	+500	

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[2] Management Environment Surrounding the SOFT99 Group



[2] Management Environment Surrounding the SOFT99 Group (1/3: Target Markets)



- The target markets of SOFT99's business segments are classified into three categories: automotive, industrial, and lifestyle.
- Up to now, the Company has viewed sales of general-use products in the automotive field of the Fine Chemicals segment and those of consumables in the lifestyle field of the porous materials segment as basic businesses. It has worked to expand its business domains and business lines by advancing into neighboring fields through the application of these technologies to related fields and effective use of M&As.

Categories of products and services provided by the SOFT99 Group

			Operating segments									
		Fine Chemicals	Porous Materials	Services	Real-Estate Related							
Target	Automotive field	 ★ Sales of general-use products ✓ Sales of professional-use products ✓ Foreign operations ✓ Planning, and sale of TPMS ✓ Import and sales of automotive products ✓ Planning and sale of packages 	 ✓ Functional porous bodies such as PVA (Consumables) 	 ✓ Automotive sheet metal maintenance ✓ Driving lessons 	_							
markets	Industrial field	 ✓ Surface modification technology and products ✓ Electronic device and software development 	 ✓ Functional porous bodies such as PVA ✓ (Industrial materials) 	_	-							
	✓ Home-care products, Planning and sales of packages	★ Functional porous bodies such as PVA (Consumables)	✓ Planning and sale of household products	 ✓ Real-estate leasing ✓ Bathhouse operation ✓ Support for preventive long-term care 								
			(Note)	Current core busin	nesses whose sales are large							

[2] Management Environment Surrounding the SOFT99 Group (2/3: Environmental Changes (1))



- The environmental changes expected in target markets in the previous medium-term plan took place, though not rapidly.
- Because of particularly significant changes in the awareness of users about consumption in recent years, meanwhile, there is a growing need to not only strengthen the functions of products alone as done in the past, but also to provide comprehensive value, including ways to provide value and methods of payment.

Changes in the business environment as expected in the previous (Fifth) medium-term plan Changes in the form of car ownership ✓ Declining interest in car ownership among young people √ Polarization of needs for car ownership in urban and suburban areas √ People keep their cars longer Expansion of the sharing economy (growth of the car-sharing market and the emergence of ride Changes in the awareness of car maintenance and purchase of related products ✓ Increase in the number of cars coated for professional use ✓ Outsourcing of services to make cars look good (car wash and maintenance) ✓ Slowdown of existing retailers' growth (volume stores and specialty stores) and the growth of **Automotive** online shopping field ✓ Changes in consumers' reasons for purchasing => from consumption to experience Use of high technology for automobiles ✓ Electrification and use of plastics, as well as increase in the number of sensing functions Ongoing public and private initiatives for computer-aided operational support and personal mobility Increasingly globalized motorization ✓ Steady market expansion in emerging markets such as China, India, and Southeast Asian countries Intensifying competition in the high-tech related market ✓ Growth potential of the high-tech related market due to IoT expansion √ Further sophistication of semiconductor cleaning technology needs, like response to the Industrial field increasingly high precision of CMP processes Diminishing grinding needs due to shrinkage of the HDD storage market Emergence of low-priced competitive products such as Chinese-made ones Changes in the awareness of purchasing Living field ✓ Changes in consumers' reasons for purchasing => from consumption to experience

In particular, people's awareness of consumption has undergone significant changes. Examples include:

- Change from "ownership to use" in a wider range of areas.
- Growing awareness of the value of "time"
- Awareness of residual value with CtoC transactions as a prerequisite
- •Emphasis on "empathy" rather than "aspiration"
- Diversification of payment methods

Users have emphasized purchasing from increasingly diverse viewpoints.



Due to changes in the customers' values, not only the value of products themselves but also the value gained indirectly through the products is rising in importance.

[2] Management Environment Surrounding the SOFT99 Group (3/3: Environmental Changes (1))



- In addition to changes in customers' values, a wider range of greater social changes and challenges is expected in the future. Examples include technological progress as typified by IoT, AI, and digital transformation, the arrival of a society where the birthrate is declining and the population is rapidly aging, natural disaster risks, and the SDGs set for 2030.
- SOFT99 considers such a wide range of social changes as great opportunities to further expand its business domains.

Business opportunities expected in the future (examples)

- ✓ Products/services for cars
 - Further evolution of TPMS products/services
 - Digitization of driving school business and drone-based training sessions
 - High-tech car maintenance
- Products/services for industries
- Further advancement of semiconductor-related markets
- Evolution of IoT remote monitoring systems and their diversion to other uses
- Diversion of professional-use systems to consumer products
- ✓ Sustainability
 - Development of environmentally conscious products/services
 - Development of products related to disaster risk reduction
- Development of medical care- and healthrelated products

Progress of technology

Knowledge is connected to information, creating new value

Greater naturaldisaster and other risks

Global warming, typhoons, earthquakes, and new types of diseases

Changes in users' values

Greater influence of the digitalnative generation on society

Population decrease, declining birthrate, and ageing population

One out of three persons is aged 65 or older. The working population shrinks substantially.

√ From ownership to use

- New ways of providing products/services, with utilization of time and methods of payment such as sharing/subscription in mind
- ✓ CtoC market
- Product development with residual value in mind
- Development support for individuals

✓ Growing need for labor saving

- Further enhancement of the value of SOFT99's existing products (easier use and longer life)
- · Digitization of SOFT99's existing services
- ✓ Active aged people
- Development of products/services that support long, healthy lives



III: Outline of the Sixth Medium-term Management Plan



[3] Outline of the Sixth Medium-term Management Plan (1/7: Theme and Vision)



- In addition to continuing to develop new products and services as the previous Plan did, the new medium-term management plan considers future social changes as new opportunities to expand the business domains under the theme "Overtake customer changes!!"
- As well as applying existing technologies and expertise to other fields, the Company aims to create new value and new businesses that others do not by introducing new technologies and know-how.

Management principle

■ Lifestyle-creating company

- ✓ Discover "future necessities"
- ✓ Remains the same as the 3rd medium-term management plan as the Group's consistent management principle

Business issues

- ✓ Address tasks that were left unachieved in the Fifth medium-term plan
- Respond to changes in consumers' awareness
- ✓ Further meet social demands (challenges)

 ⇒ Health, the environment, sustainability, etc.

Themes of the medium-term plan

Overtake customer changes!!

- ✓ Period: From April 2020 to March 2023
- ✓ Aim to maintain the momentum built by the Fifth medium-term plan "SHIFT DOWN!!," and expand the business domains and business lines by creating value that anticipates customer (user) changes

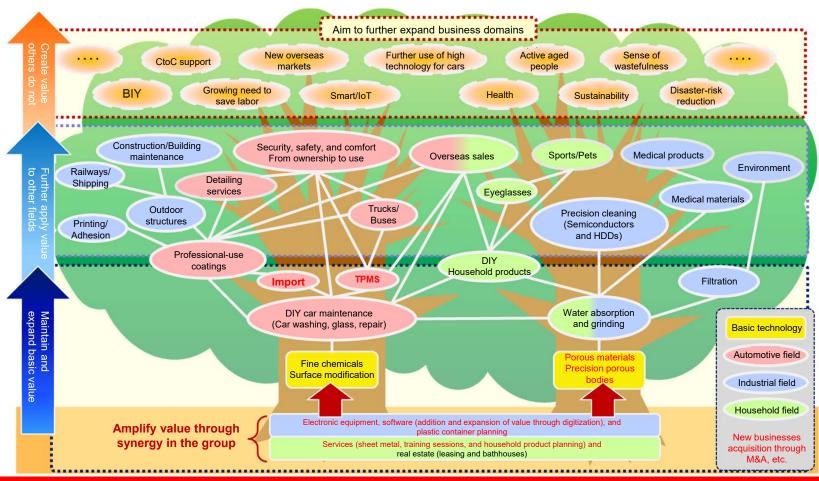
Management vision of the medium-term plan

- <u>Develop and commercialize products and services others do not as to meet a wider range of social challenges (business opportunities)</u>
 - ✓ As well as the new initiatives already launched by the SOFT99 Group as it considers social goals such as the SDGs and new social challenges that are expected to emerge in the future as new business opportunities, the Company aims to apply its expertise to a wider range of other fields than before to develop new products and services.

[3] Outline of the Sixth Medium-term Management Plan (2/7: Basic Management Policy)



■ To create new value that others do not, the SOFT99 Group aims to <u>further apply existing technologies and expertise to other</u> fields and expand the business domains by introducing and combining new technologies and know-how.



[3] Outline of the Sixth Medium-term Management Plan (3/7: Conceptual Diagram of Principal Measures to Take)



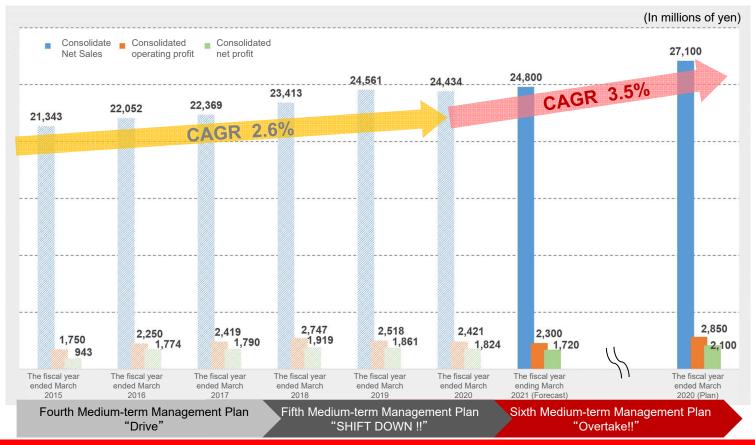
■ The Company will endeavor to expand business in each segment/field in line with the basic management policy

Domestic initiatives in the new medium-term plan Overseas initiatives in the new medium-term plan [Automotive/Fine Chemicals] Sales of consumer products •Develop safety, security, and comfort as a new product category in addition to the beauty of ·Propose maintenance items for rent-a-cars, car sharing, and commercial vehicles [Automotive/Fine Chemicals] Planning and sale of TPMS ·Market products for small and medium-sized trucks ·Establish sales of genuine repair sensors for passenger cars [Automotive/Services] Driving school business **Future** ·Expand the training programs and develop new services other than driving schools [Industrial/Fine Chemicals] Sales of professional-use products ·Step up sales for the building maintenance and construction industries, focusing on preventing stainless steel from being stained **business** ·Expand marketing for the printing/adhesion industries and expand the target markets from plastic adhesion to metal adhesion [Industrial/Fine Chemicals] Electronic device and software domains · Apply expertise in the development of industrial-use products to that of consumer products, making the most of such know-how [Industrial/Porous Materials] Industrial materials ·Work to establish new pillars of business such as products for medial, environmental, and printing applications · Consider building new factories to manufacture high-value-added products [Household/Fine Chemicals] Sales of household products Apply glass-care expertise to the sports market [Household/Services] Planning and sale of household products · Expand EC business (Reconstruct the Company's EC site and step up development of original [Automotive/Fine Chemicals] Sales of consumer products [Automotive/Fine Chemicals) Foreign operations Maintain and expand basic value · Establish after-market maintenance services for cars that are adjusted to each customer and · Step up sales operations with Europe, Russia, South America, and South to West Asia as priority ·Develop products/services with changes in DIY needs in mind and propose new methods of providing them ·Promote product localization in each region (consider producing products locally and offering [Automotive/Fine Chemicals] Sales of professional-use products more of them in local markets) ·Rebrand G'ZOX, a key coating brand for new cars [Automotive/Fine Chemicals] Sales of professional-use products [Automotive/Fine Chemicals] Planning and sales of TPMS •Expand marketing of OEM products (in both domestic and overseas markets) ·Meet demand in the transport industry by steadily building a network of agencies [Automotive/Services] Auto service [Automotive/Services] Auto service ·Strengthen the detailing business for imported cars and promote provision of detailing services · Meet specific maintenance needs, as cars increasingly use high technology (aiming hub factory for overseas markets [Industrial/Porous Materials] Industrial materials operation) [Industrial/Fine Chemicals] Electronic devices and software ·Add even greater value to products/services in the semiconductor cleaning/HDD grinding-related ·Meet demand for equipment replacement as 3G is terminated, prompting a shift to 4G and 5G markets and gain larger shares of the markets ·Increase sales of products for flat-panel display printed boards [Household/Porous Materials] Consumables Expand sales through OEM development and strengthened EC logistics [Household/Porous Materials] Consumables •Develop new markets by marketing consumables for sport uses in overseas markets

[3] Outline of the Sixth Medium-term Management Plan (4/7: Consolidated Profit and Loss Goals)



- Goals for the last year of the medium-term plan: 27.1 billion yen in consolidated net sales (average annual growth rate: 3.5%) and 2.8 billion yen in consolidated operating profit
- In the first year of the Plan, lower profit is expected because it is projected that expenses such as depreciation associated with sales promotions, research, and information system investments will grow. Also, COVID-19 is likely to result in suspension of some business operations in the service- and real estate-related segments.



[3] Outline of the Sixth Medium-term Management Plan (5/7: Consolidated Profit and Loss Goals by Segment)



- The new medium-term management plan positions the fine chemicals segment as a growth driver.
- In the porous materials segment, projects such as investing in human resources and research, and building new factories, are being considered for future business expansion. It is expected that implementing these projects will cause the operating profit to fall compared to the previous medium-term plan.

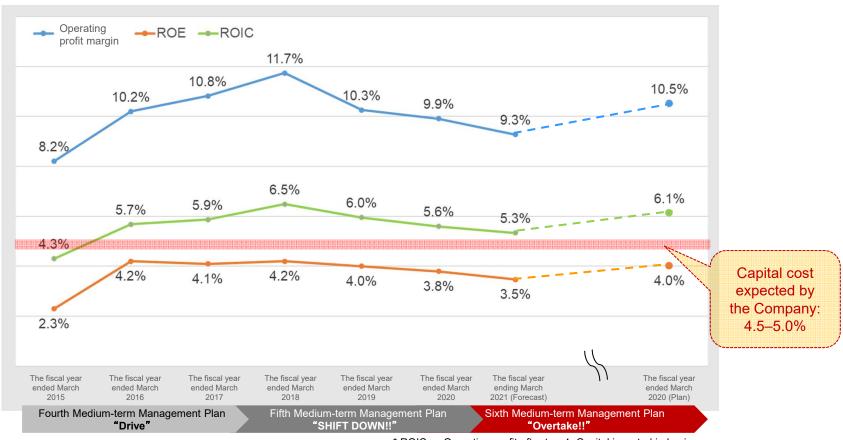
(In millions of yen)

		Operating profit					
Operating segments	Fifth Medium-term Management Plan March 2020	Sixth Medium-term Management Plan March 2023	Year-on-year changes	Fifth Medium-term Management Plan		Sixth Medium-term Management Plan March 2023	Year-on-year changes
Fine Chemicals	12,108	13,850	+1,741	1,316		1,800	+483
Porous Materials	5,678	6,050	+371	733		640	-93
Services and Real-Estate Related	6,647	7,200	+552	363		410	+46
(Adjustments)	_	_	_	8		_	-8
Total	24,434	27,100	+2,666	2,421		2,850	+428

[3] Outline of the Sixth Medium-term Management Plan (6/7: Management Efficiency Indicators)



- Starting from the new medium-term management plan, return on invested capital (ROIC) will be set as an indicator of business administration efficiency.
- SOFT99's capital cost is expected to be in the range of 4.5–5.0%.



(3) Outline of the Sixth Medium-term Management Plan (7/7: Policy on Return to Shareholders)



- Regarding return to shareholders, the Company's basic policy is to continue the stable payout of dividends
- Starting from the term to March 2021, the return rate will be reviewed again, with the guideline being to return 25% of the consolidated operating profit to shareholders.
 (Reference: In the previous medium-term plan, the policy was to return 20% of the consolidated operating profit to

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■ We plan to use retained profits for investment to expand future business and strengthen the management structure.

Changes in the dividends actually paid and dividend forecasts

	Fiscal year ended March 2015	Fiscal year ended March 2016	Fiscal year ended March 2017	Fiscal year ended March 2018	Fiscal year ended March 2019	Fiscal year ended March 2020 (Forecast)	Fiscal year ending March 2021 (Forecast)
Consolidated operating profit (in millions of yen)	1,750	2,250	2,419	2,747	2,518	2,421	2,300
Consolidated net profit (in millions of yen)	943	1,774	1,790	1,919	1,861	1,824	1,720
Total dividends (in millions of yen)	370	395	458	478	502	526	550
Annual dividends per share (yen)	17.00	18.00	21.00	22.00	23.00	24.00	25.00
Dividend payout ratio	39.1%	22.3%	25.4%	24.8%	26.8%	28.7%	32.0%
Total dividends divided by operating profit	21.1%	17.6%	18.9%	17.4%	19.9%	21.7%	23.9%

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