
For the Fiscal Year Ending March 2023

SOFT99 Corporation

2Q Financial Results Briefing

December 6, 2022

- 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.
- Descriptions and statements based on any of the future projections 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. Such differences could be caused by a variety of factors.

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I: Corporate Group Outline

SOFT99 Corporation

Established ...	October 28, 1954
Core business...	Manufacturing and sale of chemical products for car and home care Manufacturing and sale of functional precision porous products
No. of employees ...	854 (as of September 30, 2022; Consolidated)
Affiliated companies...	10 (Consolidated entities including the Company)

History of our principal products

1969
"HANNERI WAX"



1978
"BODY PAINT"



1987
"TINET"



1993
"GLACO ROLL ON"



1999
"Plassenu"



1999
"FUKUPIKA WET"



2003
"G'zox series"



2006
"SHAMPOO FOR GLASSES"



* Plassenu (former Plassemu) was marketed by Kanebo, Ltd. in 1963 and has been manufactured and sold by the SOFT99 Group since the business transfer in 1999.

Operating Segments Outline (1)



Operating Segments	Subsegments	
<p>① Fine Chemicals</p> <p>Manufacturing and sale of chemical products for car and home care</p>	Consumer products (for automobiles)	} Inherited business
	Professional-use products (for automobiles and other industries)	
	Home-care products	
	Foreign operations	
	Planning, development, and sale of the Tire-Pressure Monitoring System	
	Development of electronic devices and software	
<p>② Porous Materials</p> <p>Manufacturing and sale of functional precision porous products</p>	Industrial materials (precision cleaning, polishing, and filtering products for high-tech industries) (medical and hygienic products)	} Expansion of business areas through M&A
	Consumables (automobiles, kitchen goods, cosmetics, sporting goods, etc.)	
<p>③ Services</p>	Automobile repair and sheet metal	} Monetization of assets
	Driving lessons	
	Household product planning and sale	
<p>④ Real-estate Related</p>	Real-estate leasing	} Monetization of assets
	Bathhouse operation, Support for preventive long-term care	

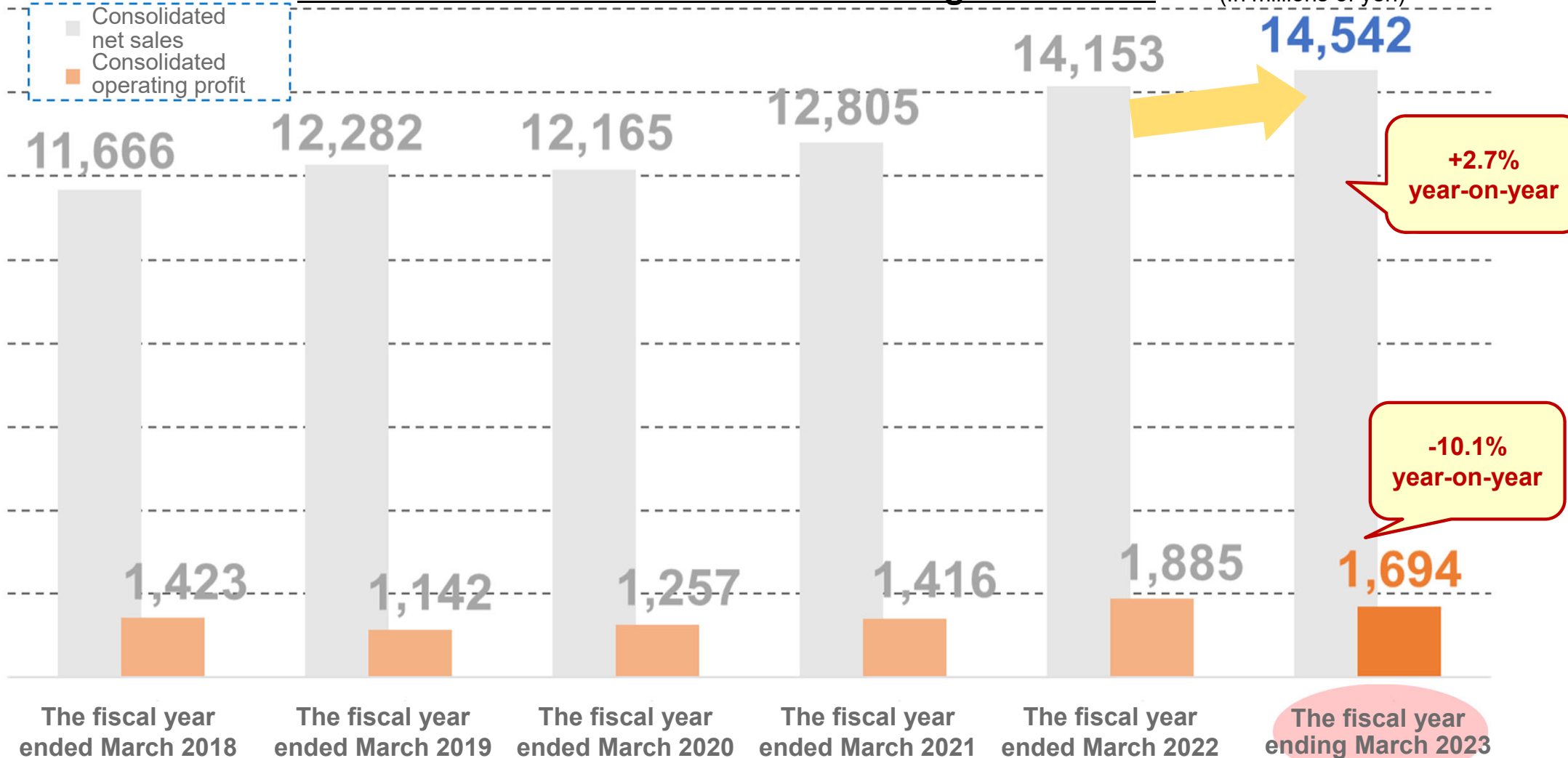
II: Consolidated Results Outline

Consolidated Profit and Loss Outline

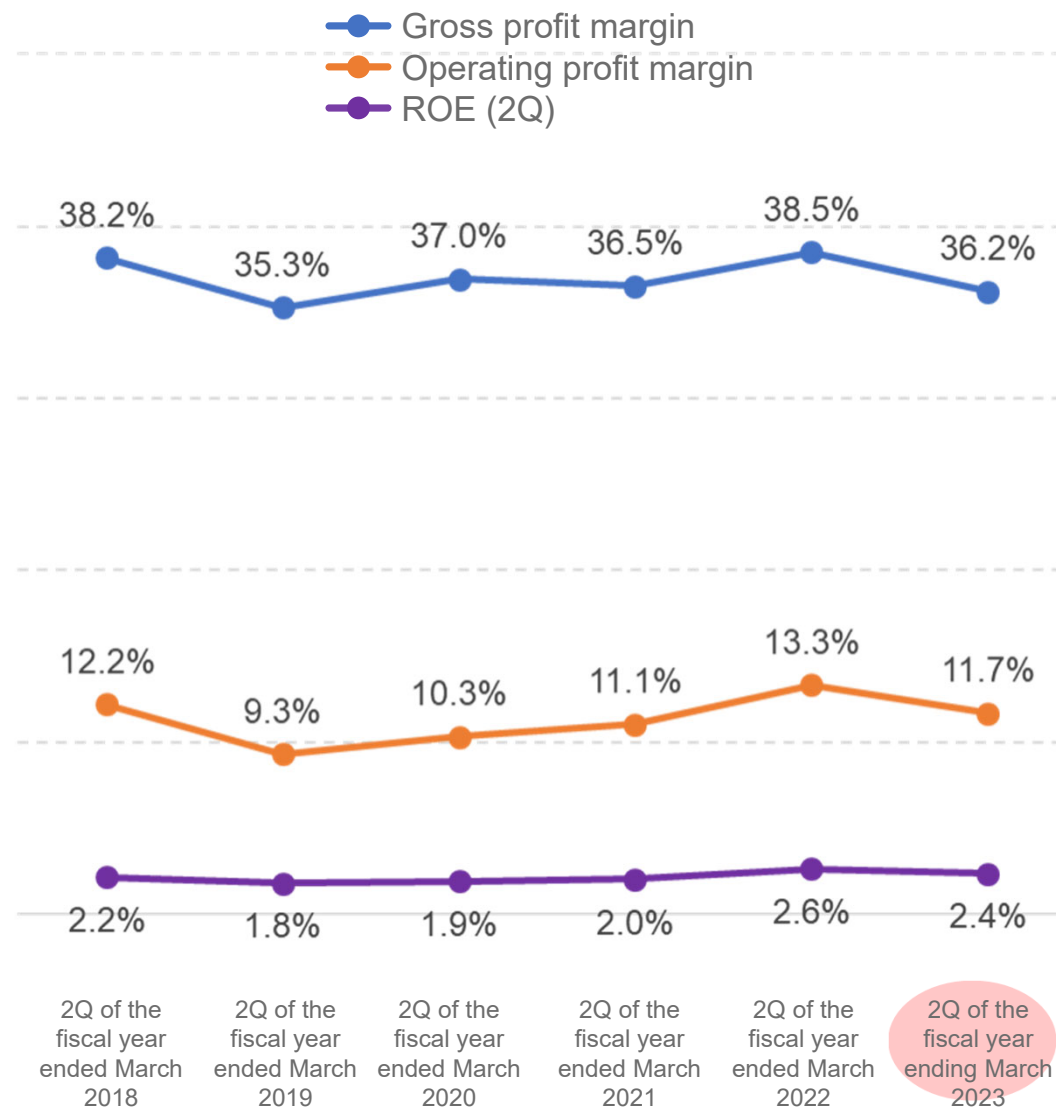
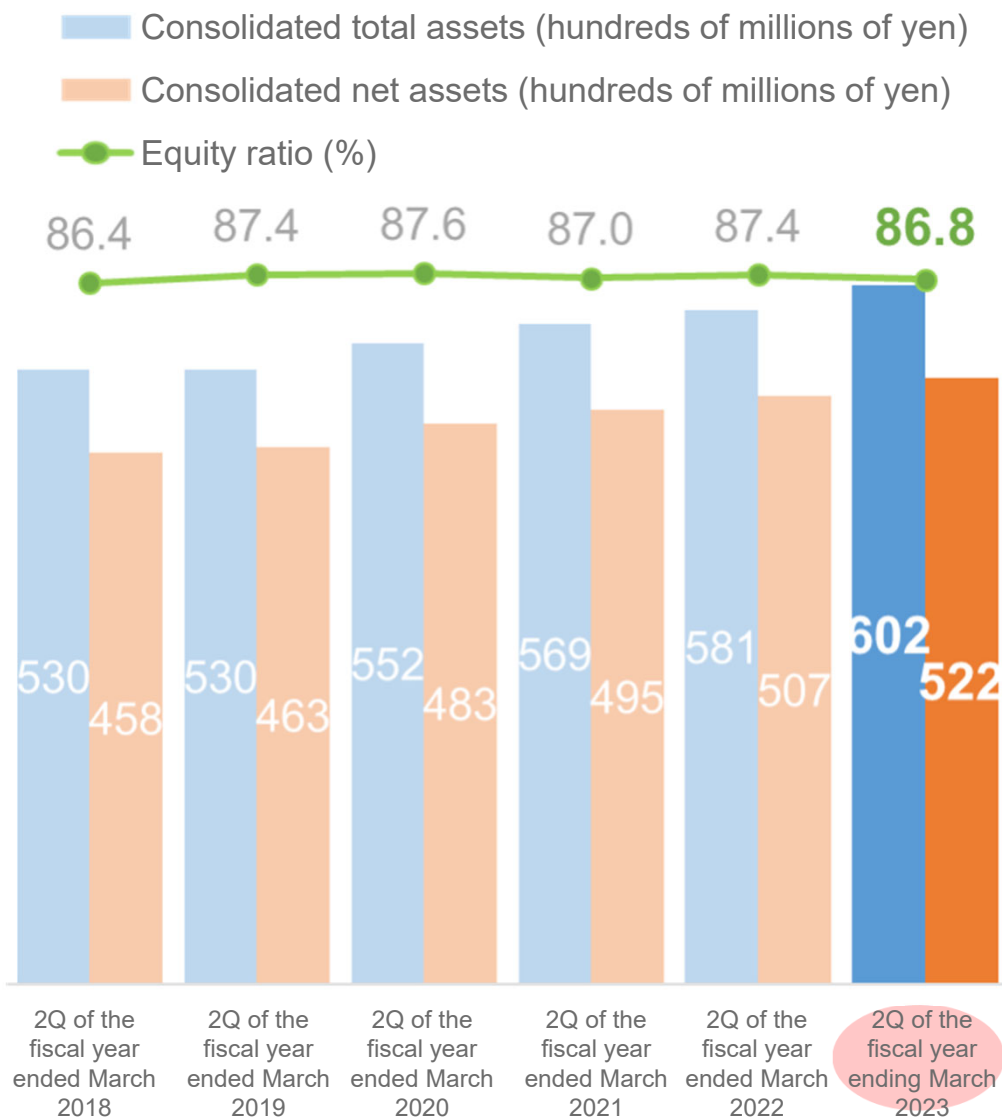


Changes in Consolidated Profit and Loss for the First Half of the Fiscal Year Ending March 2023

(In millions of yen)



Major Management Indexes



III: Business Outline

(Fiscal year ending March 2023)

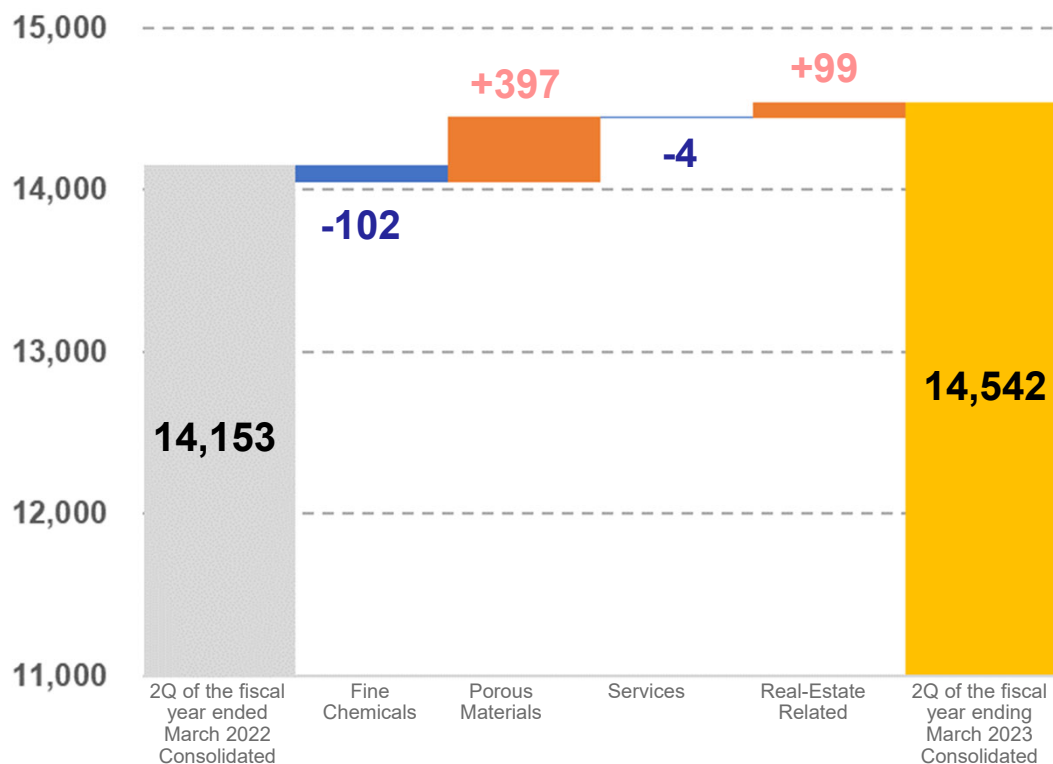
Changes in Profit and Loss by Segment (Year-on-year Comparison)



- **Fine Chemicals** . . . Sales and income declined due to sluggish demand from stay-at-home consumption and soaring raw material costs.
- **Porous Materials** Despite impact of soaring raw material costs, both revenue and profit increased due to strong sales.

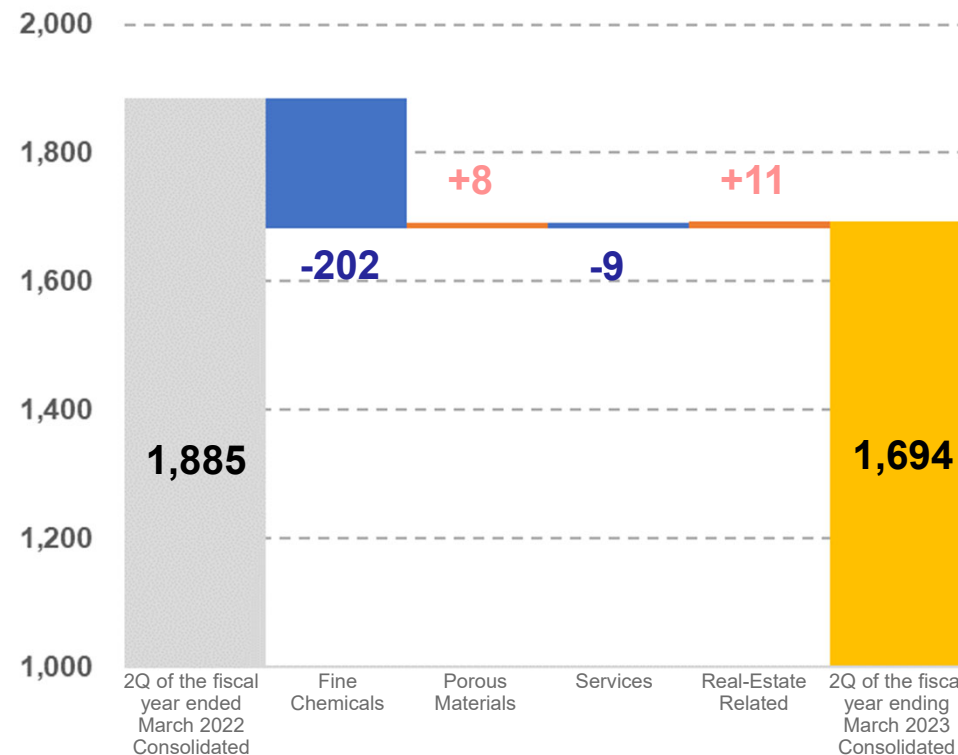
Net Sales by Segment: Year-on-year Changes

(In millions of yen)



Profit by Segment: Year-on-year Changes

(In millions of yen)



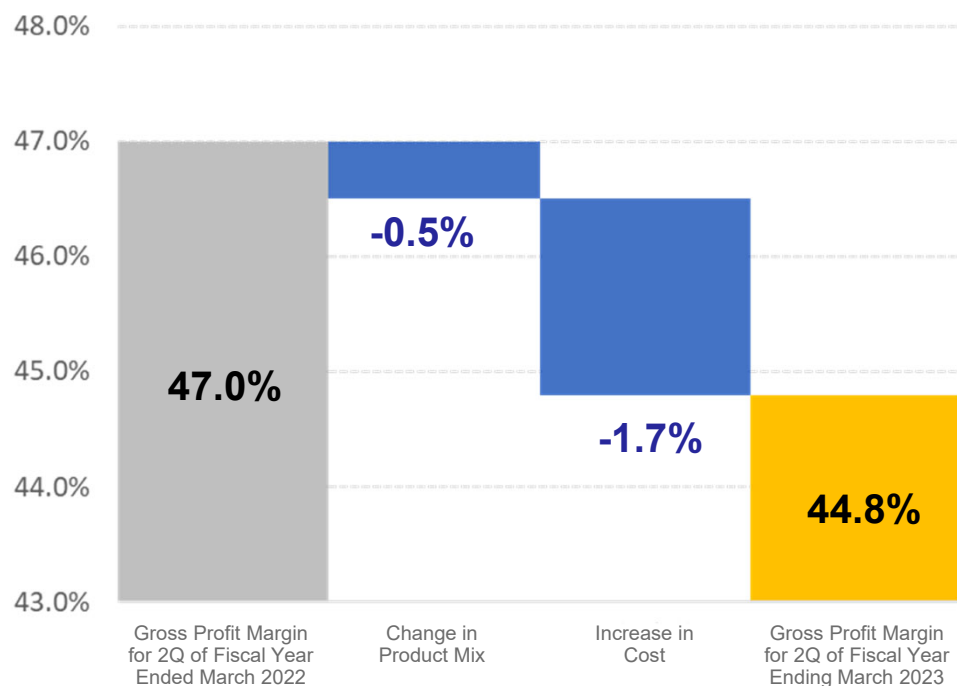
(Note) Excludes the consolidated adjustment amount

Gross Profit Margin, Variable Factors (Year-on-year Comparison)

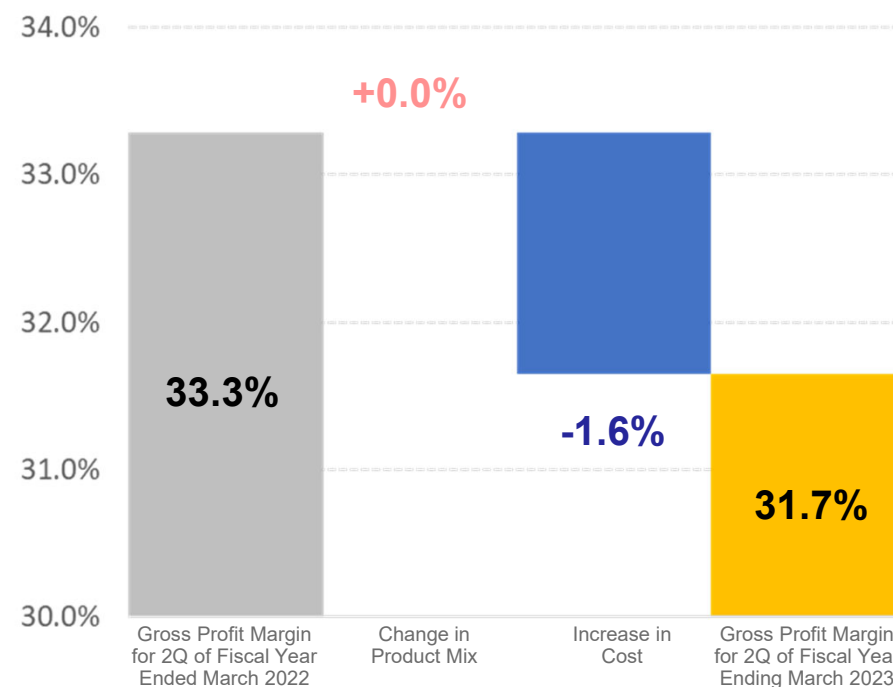


- Fine Chemicals (SOFT99) . . . Deteriorated due to growth in overseas sales and soaring raw material costs.
- Porous Materials (Aion) The impact of changes in the sales mix is minimal. On the other hand, the impact of rising raw material and utility costs is noticeable.

SOFT 99 Product Sales, Gross Profit Margin
Year-on-year Changes



Aion, Gross Profit Margin
Year-on-year Changes



(Note) Calculated before consolidation adjustments

Fine Chemicals (1/4) Consumer Products Sales

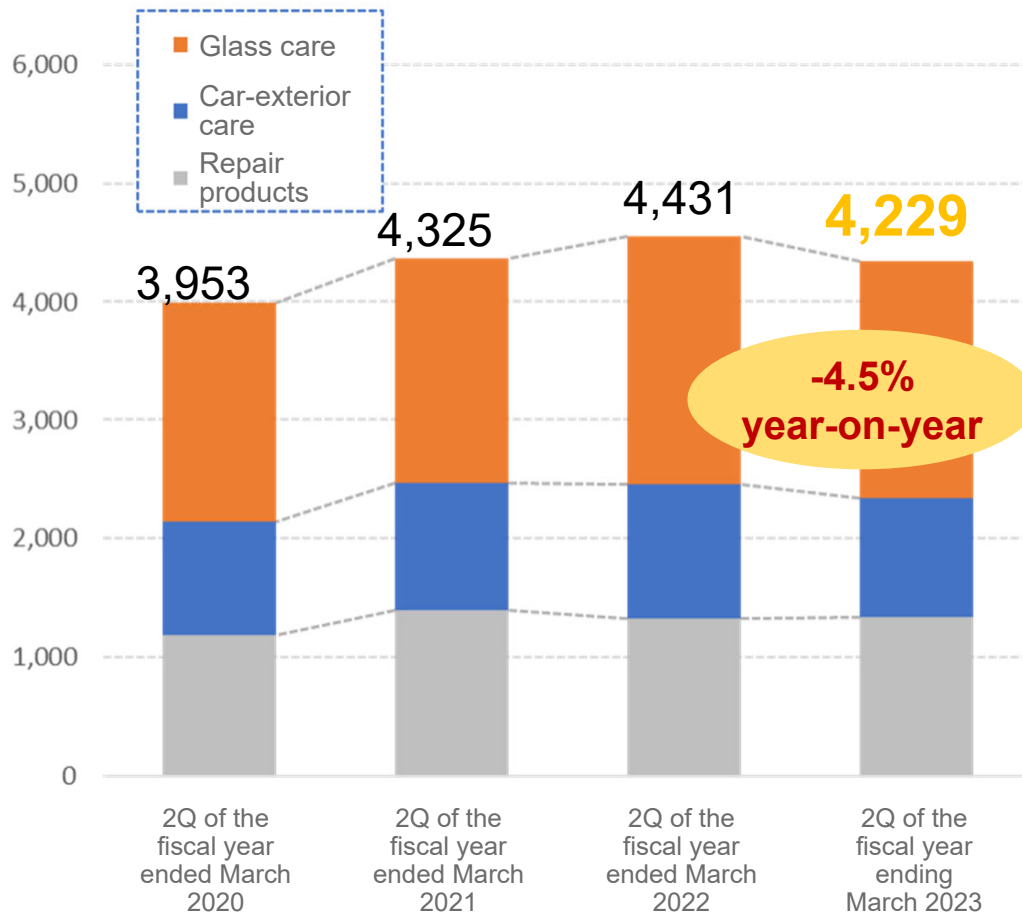


- Maintained strong sales even after demand from stay-at-home consumption observed during the pandemic ended.

Consumer Products:

Net Sales for 2Q of the Fiscal Year Ending March 2023

(In millions of yen)



- Net sales were strong due to demand from stay-at-home consumption at the onset of the pandemic.
- Most recently, product sales volume has declined, partly due to the end of stay-at-home behavior and partly due to a shift in consumer sentiment.
- On the other end, in the repair business, developing a market that is not influenced by special demand is progressing, such as acquiring additional merchandizing floor space.

Market environment has departed significantly from the assumptions made when the 6th Medium-term Management Plan was drafted. Although the company had planned to move away from sales centered on products for general consumers to promoting service proposals, the pandemic has left the company with some challenges.



Fine Chemicals (2/4) Professional-use Products

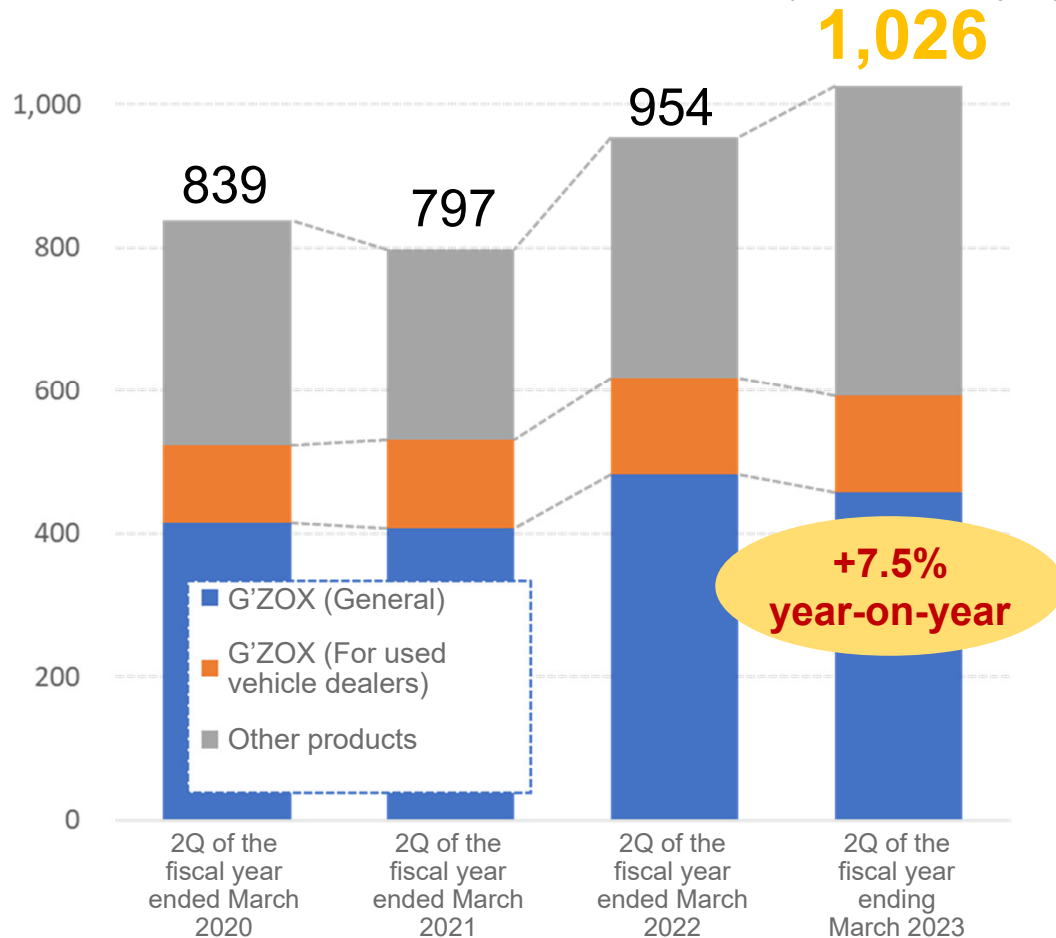


- Amid stagnant automobile sales, sales from coating business remained strong.

Professional-use Products:

Net Sales for 2Q of the Fiscal Year Ending March 2023

(In millions of yen)



- Application for newly built vehicles struggled amid a decline in supply of new vehicles.
- Maintained sales volume by engaging with main clients and increasing the ratio of coatings applied to owned vehicles.
- During the current fiscal year, a last-minute surge in demand preceding a price revision took place.



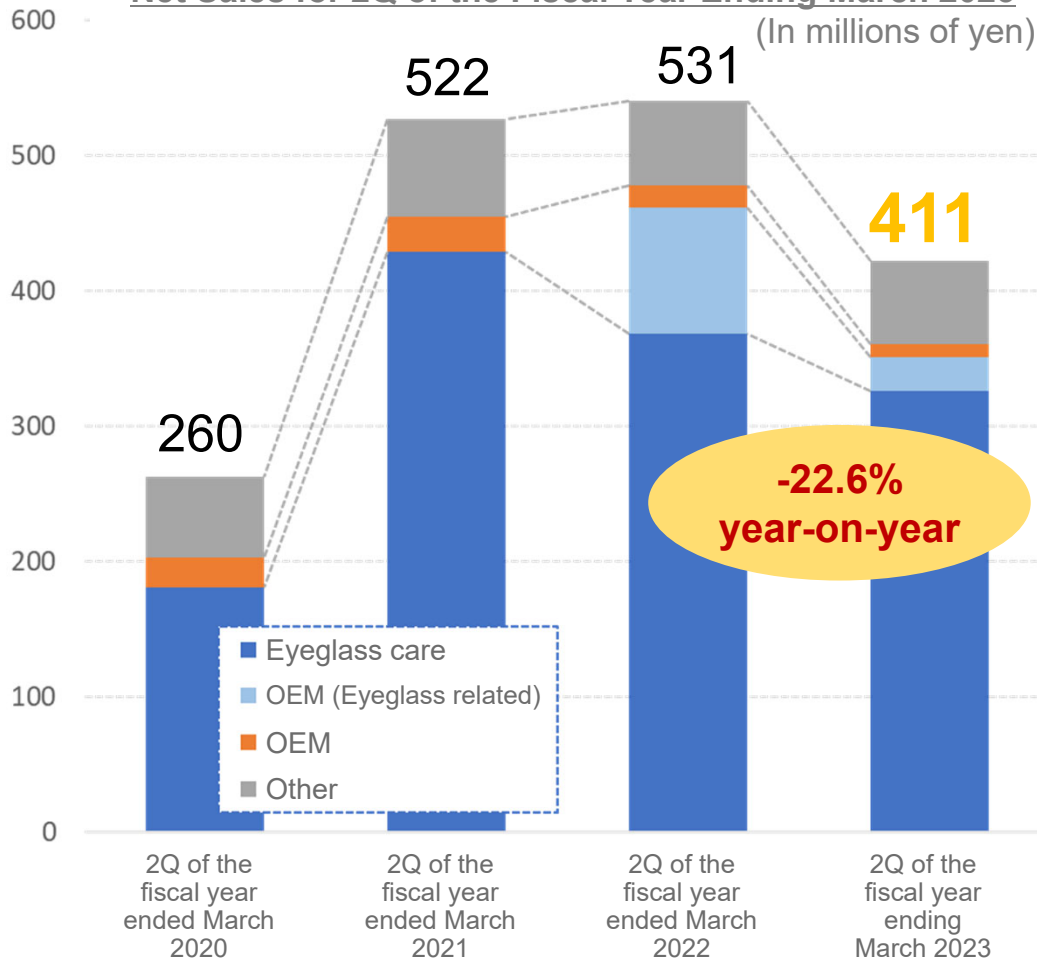
To add to body coatings with robust demand, the company will develop a new market by promoting the application of coatings to car interiors.

Fine Chemicals (3/4) Home-care Products

- The market expanded with the start of the pandemic, increasing product recognition.

Home-care Products:

Net Sales for 2Q of the Fiscal Year Ending March 2023



- With the start of the pandemic, the market for eyeglass care products expanded.
- Even as the pandemic subsided, the baseline for product demand remain elevated and the scale of sales still exceeds that of three years ago.

While sustaining sales in the toiletries sector, which expanded throughout the pandemic, the company is expanding into the sporting goods sector.



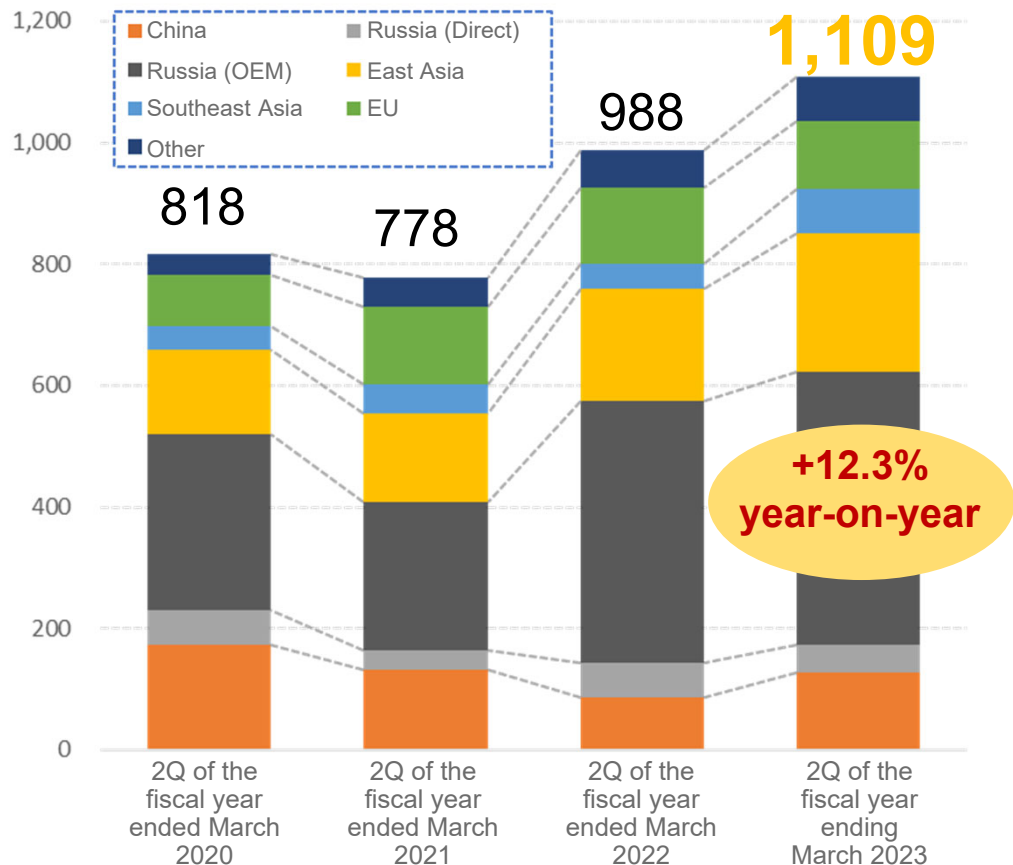
Fine Chemicals (4/4) Overseas Sales

- Sales struggled at the initial stages of the pandemic as countries entered into lockdowns, but the impact eventually subsided, and sales grew steadily.

Overseas Sales:

Net Sales for 2Q of the Fiscal Year Ending March 2023

(In millions of yen)



- In East Asia, sales were strong due to adopting an advertising strategy utilizing social media and bolstered planning aimed toward mass retailers.
- In Southeast Asia, sales grew from enhanced e-commerce sales.
- In other areas, deploying localized sales strategies, such as expanding products with local-language indications, was executed.
- Since the start of the invasion of Ukraine, the share of our products in sales to Russia has decreased.

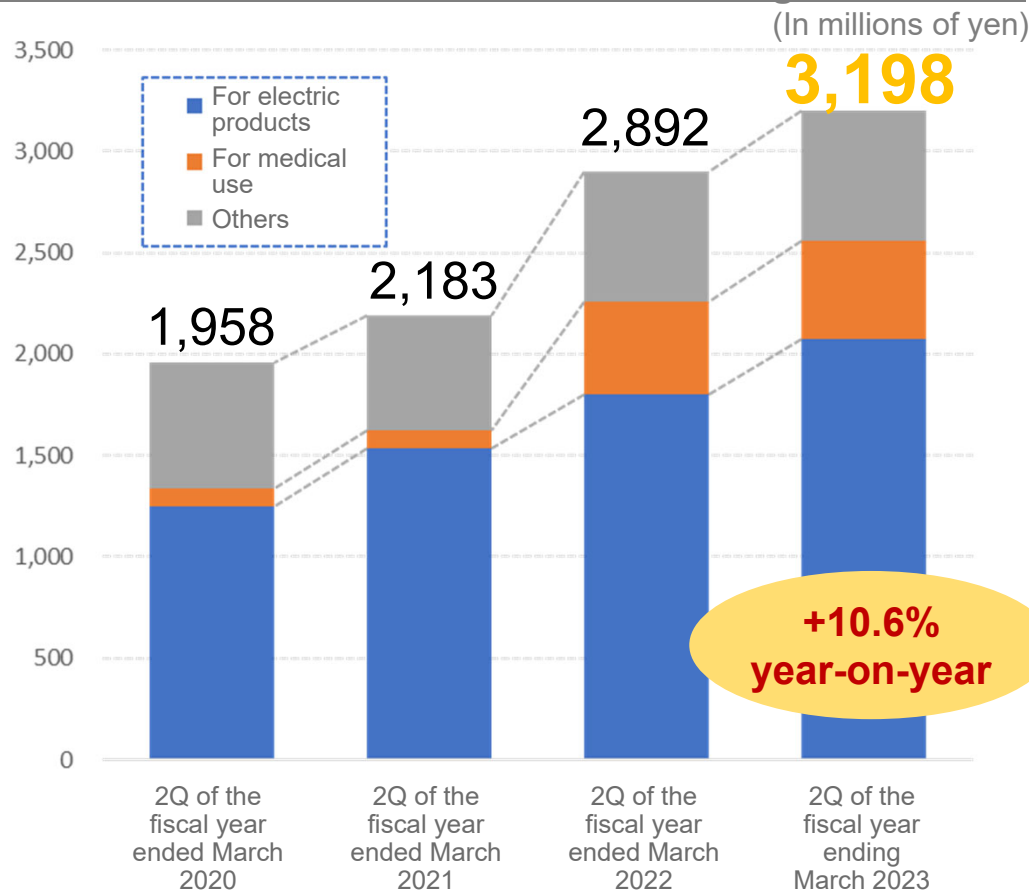


Products compatible with K-REACH

Porous Materials: Industrial Materials

- Increased demand due to the brisk semiconductor-related market and higher-capacity HDDs.

Industrial Materials:
Net Sales for 2Q of the Fiscal Year Ending March 2023



- Amid the pandemic, the mainstay semiconductor market remained strong.
- An increase in sales of medical and hygiene products through M&A also contributed to increase of total sales.



The new plant will start full-scale operation and R&D will advance forward to establish medical applications as the third pillar of sales.



* Aztech Co. joined the group in 2021.

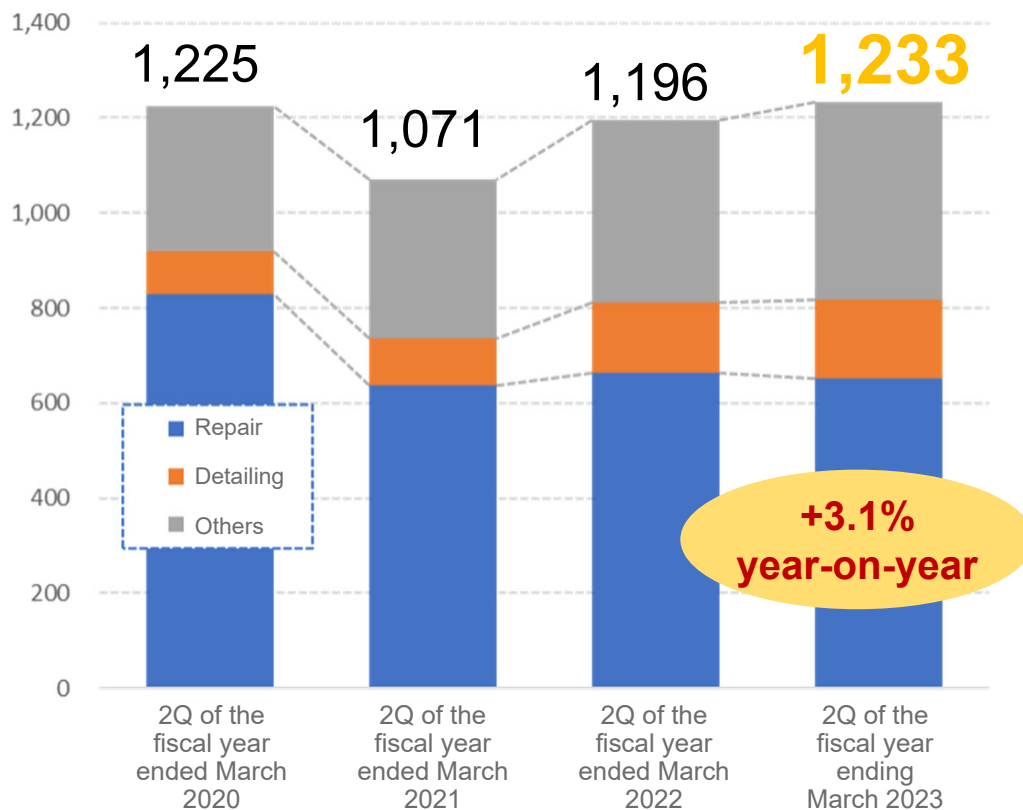
Services: Automobile Sheet Metal Repair Business



- Although sales have not returned to levels prior to the pandemic, they have made notable improvement, partly due to focusing on auto detailing business.

**Automobile Sheet Metal Repair Business:
Net Sales for 2Q of the Fiscal Year Ending March 2023**

(In millions of yen)



- In addition to a decrease in the number of vehicles being serviced due to the pandemic, the supply of automotive parts became unstable. This resulted in longer periods required for repairs, and efficient repair work became difficult.
- On the other end, overall sales are on a recovery trend following a focus on coatings for auto detailing, films and e-commerce sales.

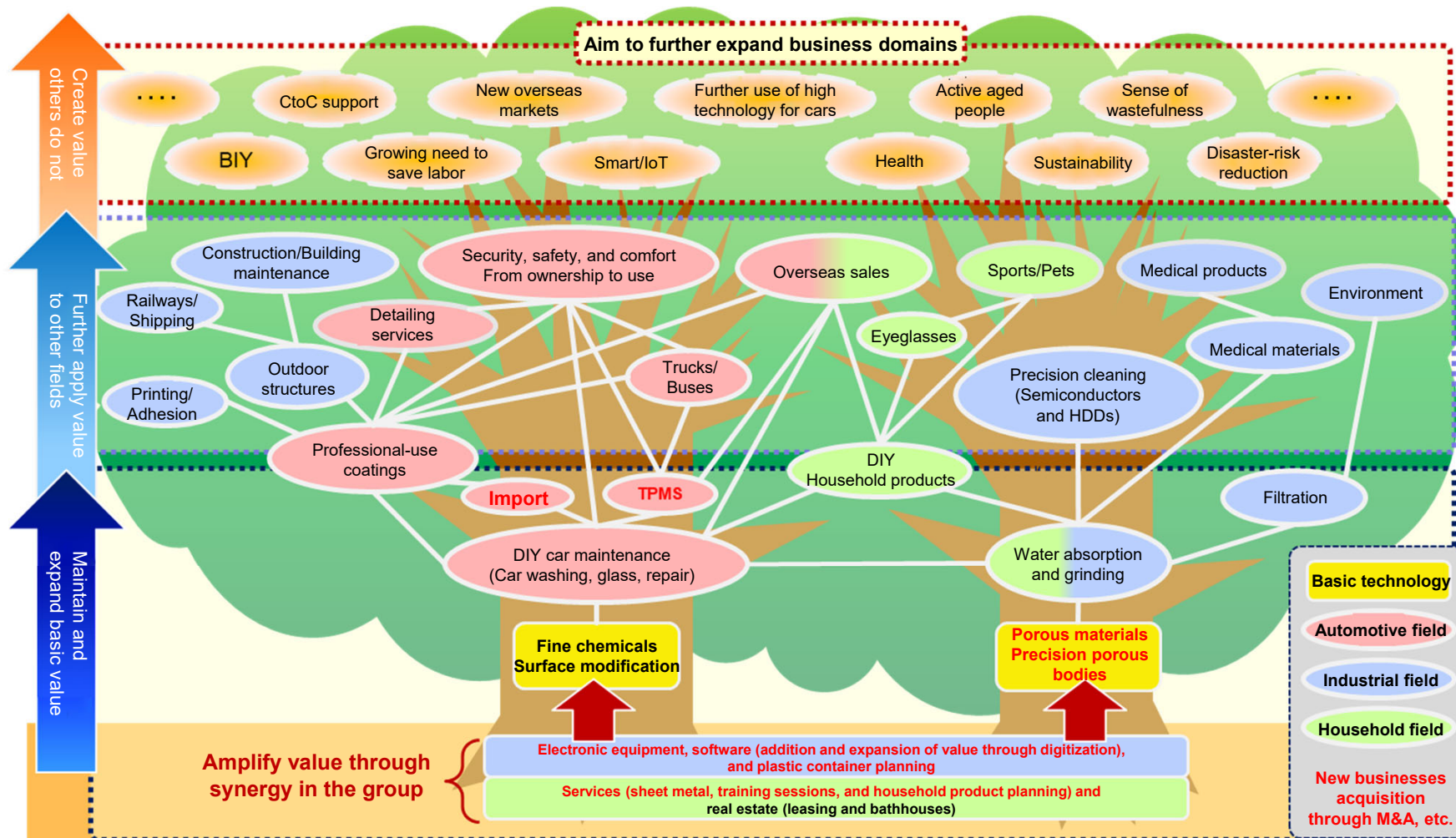


Competitiveness will be further enhanced by bolstering sales from auto detailing and overhauling the company's sales structure.

IV: SOFT99's Medium-term Management Plan Initiatives

Outline of the Sixth Medium-term Management Plan (Excerpt from the materials disclosed in May 2020)

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



Initiatives of the Current Medium-term Management Plan: Fine Chemicals

- Developing service sales utilizing existing sales channels.



- The Company set “establishing maintenance service for owned vehicles” as its main goal, but its speed of progress was hampered with the onset of the pandemic.
- Equipment was deployed at select companies create opportunities for installing commercial products.

Current: Applications mostly at time of new vehicle purchases

Going forward: Promoting application toward owned vehicles



Five years from now ...



By promoting the development of maintenance menus for owned vehicles, the company will work to reactivate market for re-installations.

Initiatives of the Current Medium-term Management Plan: Porous Materials

- A new plant was established to organize and enhance the manufacturing environment for medical application products.

July 2022
Established in
Koga-shi, Ibaraki-ken



Obtained manufacturing and marketing license for general medical devices (Class I and II).
Progressed the development of new products.



Amedif Absorption Block



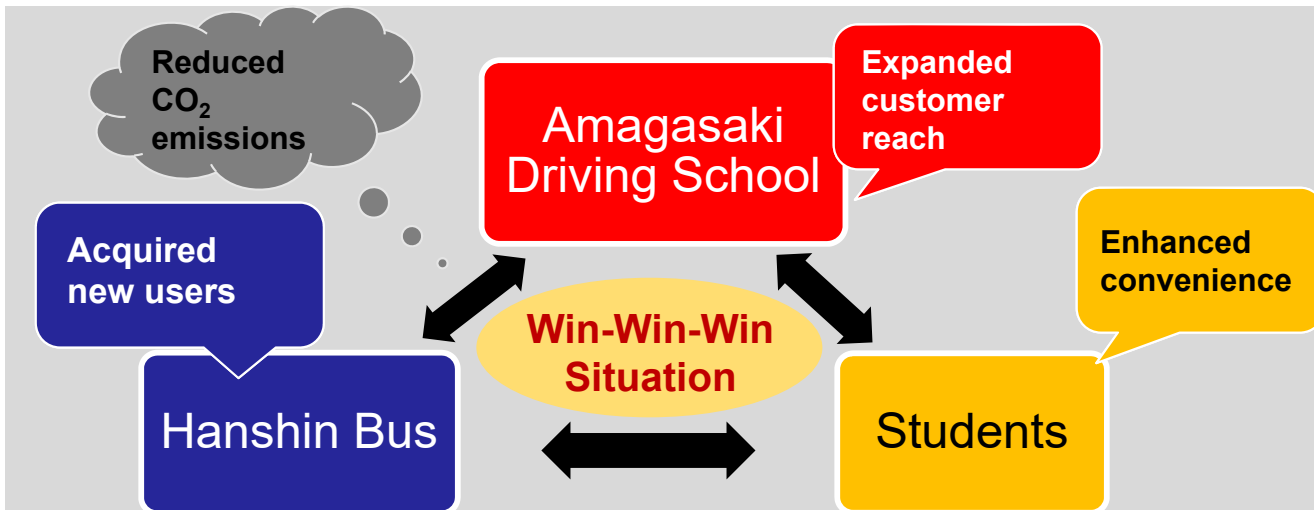
Amedif Oral Care Kit

The company plans to bolster its new product development and production capabilities by improving the efficiency of its machinery and equipment.



Initiatives of the Current Medium-term Management Plan: Services

- Substituted free transportation for Amagasaki Driving School students with local bus service. Awarded the JCOMM Management Award.



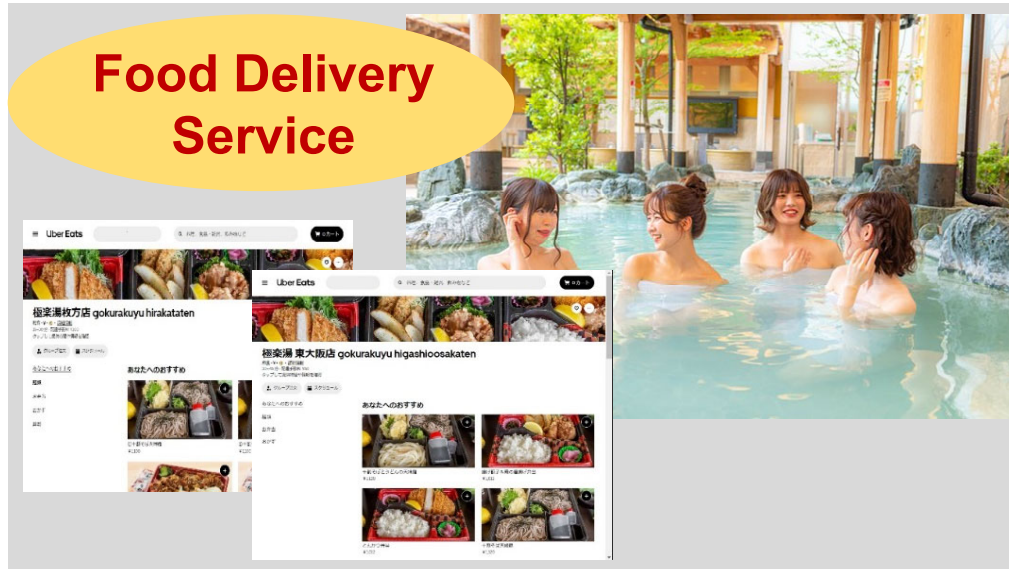
- Starting in 2021, Amagasaki Driving School implemented an initiative to replace a portion of its free shuttle service for its students with the local bus service (Hanshin Bus).
- The school won the JCOMM Management Award in 2022 in recognition of its Win-Win-Win Situation program.



➔ We will continue contributing to the local community in cooperation with other companies.

Initiatives of the Current Medium-term Management Plan: Real Estate Business

- The company initiated a new business utilizing IoT as a new way to deliver its services.



- In the hot spa business, food delivery service (UberEats and Demaekan) was launched amid a declining number of visitors due to the pandemic.
- To utilize idle property, a self-storage service that can be managed via mobile app was launched, utilizing space in the SOFT99 sales office.

every-two

everytime everywhere everyone

IoT × Self-storage Service



We will promote creating new businesses that will make effective use of our resources and aim to operate a vital organization.

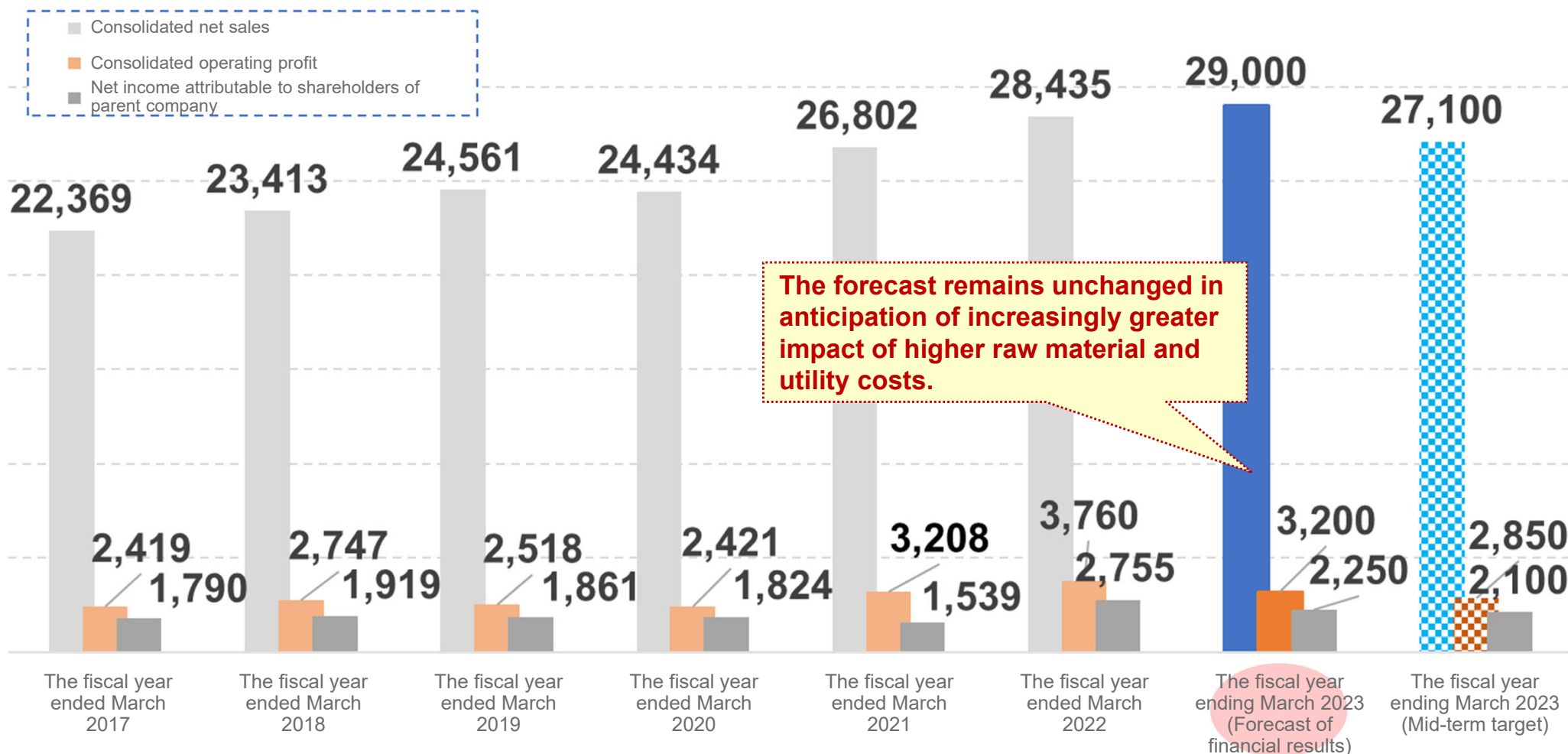
V: Annual Financial Results and Dividend Forecast

Financial Results Forecast for the Fiscal Year Ending March 2023



- While addressing remaining issues of the 6th Medium-term Management Plan, the company will continue to solidify its foothold in the 7th Medium-term Management Plan.

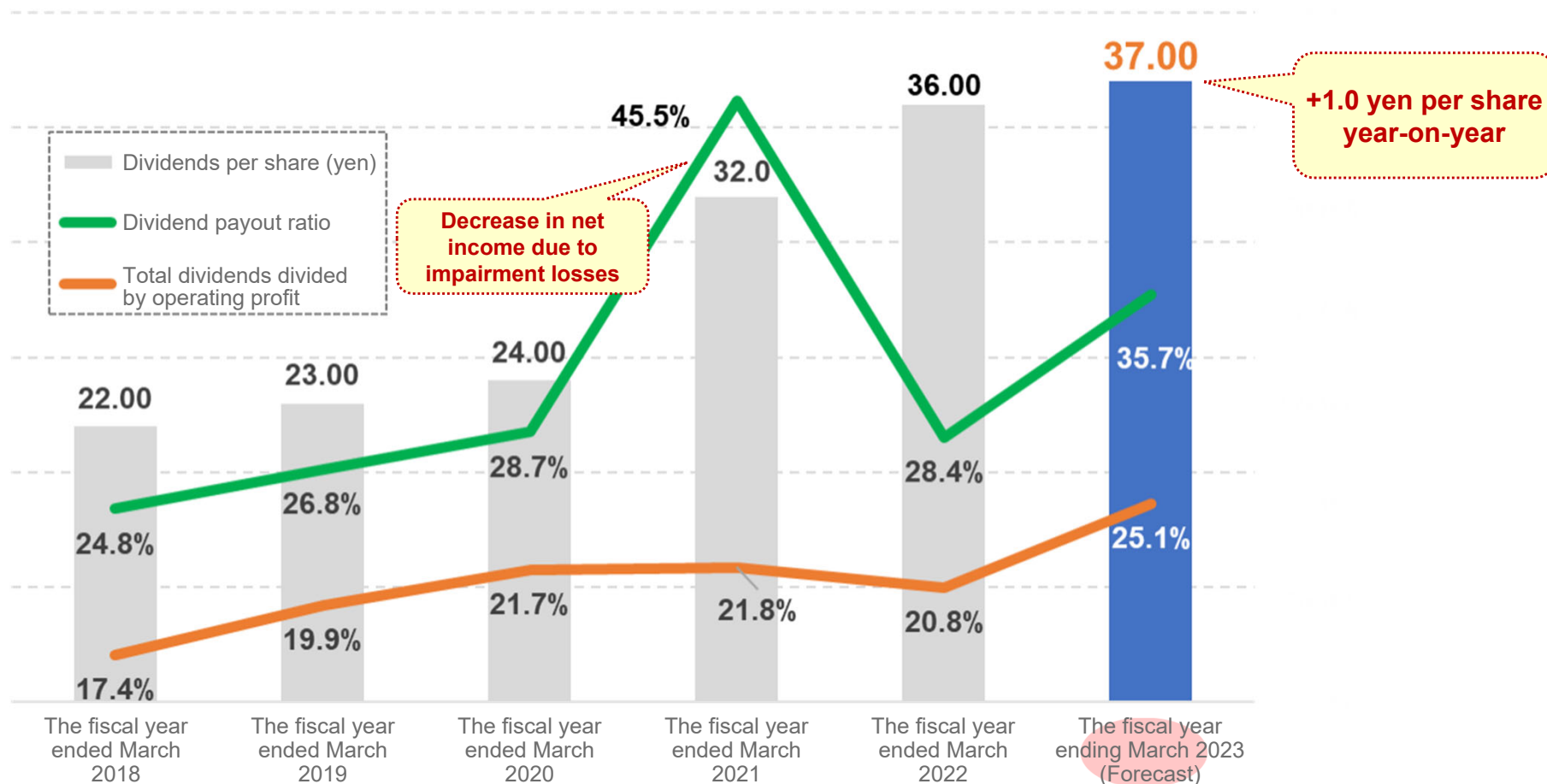
(In millions of yen)



Annual Dividend Forecast for the Fiscal Year Ending March 2023



- For the fiscal year ending March 31, 2023, the company plans to pay interim and year-end dividends of 18.5 yen per share, equivalent to a full-year dividend of 37.0 yen per share (up 1.0 yen per share from the preceding year).
- On December 12, 2022, the company plans to allocate shares to the Employee Stock Ownership Plan (ESOP).



Appendix: Numerical Data

Condensed Consolidated Balance Sheet (Year-on-year Comparison)



(In millions of yen)

	March 31, 2022	September 30, 2022	Year-on-year changes		March 31, 2022	September 30, 2022	Year-on-year changes
Current Assets	29,330	29,582	+251	Current Liabilities	4,643	4,872	+229
Cash and deposits	20,197	19,768	-429	Accounts payable	1,390	1,613	+222
Accounts receivable	4,562	4,767	+205	Income taxes payable	658	549	-108
Marketable securities	300	0	-300	Payables and accrued expenses	1,175	1,172	-3
Inventories	3,988	4,415	+426	Others	1,418	1,537	+118
Others	283	631	+348	Non-current Liabilities	3,196	3,096	-99
Non-current Assets	29,900	30,628	+728	Total Liabilities	7,839	7,969	+130
Property, plant and equipment	22,049	22,606	+556	Net Assets	51,391	52,241	+849
Intangible assets	639	615	-23	Shareholders' equity	51,176	52,022	+846
Investments and other assets	7,210	7,406	+195	Accumulated other comprehensive income	215	218	+3
Assets	59,231	60,211	+980	Liabilities and Net Assets	59,231	60,211	+980

Consolidated Results

(Profit and Loss: Year-on-year Comparison)



(In millions of yen)

	First half of the fiscal year ended March 2022	First half of the fiscal year ending March 2023	Year-on-year changes	Year-on-year % changes	
Net sales	14,153	14,542	+389	+2.7%	
Gross profit	5,451	5,267	-184	-3.4%	
	Gross profit margin	38.5%	36.2%	-2.3 pt	—
Selling, general and administrative expenses	3,565	3,572	+6	+0.2%	
Operating profit	1,885	1,694	-191	-10.1%	
	Operating profit margin	13.3%	11.7%	-1.7 pt	—
Ordinary profit	1,986	1,784	-202	-10.2%	
Net income before income taxes	1,986	1,777	-208	-10.5%	
Net income attributable to shareholders of parent company	1,332	1,237	-95	-7.2%	

Condensed Consolidated Cash Flow (Year-on-year Comparison)



(In millions of yen)

	First half of the fiscal year ended March 2022	First half of the fiscal year ending March 2023
Cash flow from operating activities	+999	+900
Cash flow from investing activities	-707	-915
Cash flow from financing activities	-522	-414
Effect of exchange rate fluctuations on cash and cash equivalents	+1	+3
Net increase (decrease) in cash and cash equivalents	-228	-425
Cash and cash equivalents at the beginning of the year	18,649	19,885
Cash and cash equivalents at the end of the year	18,421	19,459

Depreciation expense	364	373
Capital expenditures (*)	782	860

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

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



	First half of the fiscal year ended March 2022	First half of the fiscal year ending March 2023	Year-on-year changes
Total assets (million yen)	58,137	60,211	+2,073
Net assets (million yen)	50,789	52,241	+1,451
Equity ratio	87.4%	86.8%	-0.6 pt
ROA (Ordinary profit / Total assets)	3.4%	3.0%	-0.5 pt
ROE (Net profit / Net assets)	2.6%	2.4%	-0.3 pt
Total asset turnover (Net sales / Total assets)	0.24	0.24	-0.00
Net income per share (yen)	61.05	57.03	-4.02

Fine Chemicals

(Profit and Loss: Year-on-year Comparison)



(In millions of yen)	First half of the fiscal year ended March 2022	First half of the fiscal year ending March 2023	Year-on-year changes	Year-on-year % changes
Net sales	7,215	7,112	-102	-1.4%
General-use products: Car-exterior care	1,104	980	-123	-11.2%
General-use products: Glass care	2,019	1,947	-72	-3.6%
General-use products: Repair products	1,307	1,301	-6	-0.5%
Professional-use products	954	1,026	+71	+7.5%
Home-care products, etc.	531	411	-120	-22.6%
Foreign operations	988	1,109	+121	+12.3%
TPMS (Tire-Pressure Monitoring System)	114	68	-46	-40.5%
Electronic device and software development	231	314	+82	+35.7%
Others and adjustments	-36	-46	-10	—
Gross profit	3,373	3,150	-222	-6.6%
Gross profit margin	46.7%	44.3%	-2.5 pt	—
Operating profit	1,154	952	-202	-17.5%
Operating profit margin	16.0%	13.4%	-2.6 pt	—

Porous Materials

(Profit and Loss: Year-on-year Comparison)



(In millions of yen)		First half of the fiscal year ended March 2022	First half of the fiscal year ending March 2023	Year-on-year changes	Year-on-year % changes
Net sales		3,640	4,038	+397	+10.9%
	Industrial materials	2,892	3,198	+305	+10.6%
	Domestic	1,442	1,416	-25	-1.8%
	Overseas	1,449	1,781	+331	+22.9%
	Consumables	748	840	+91	+12.3%
	Domestic	419	476	+56	+13.4%
	Overseas	328	364	+35	+10.8%
Gross profit		1,282	1,340	+58	+4.6%
	Gross profit margin	35.2%	33.2%	-2.0 pt	-
Operating profit		530	538	+8	+1.6%
	Operating profit margin	14.6%	13.3%	-1.2 pt	-

Services (Profit and Loss: Year-on-year Comparison)



(In millions of yen)	First half of the fiscal year ended March 2022	First half of the fiscal year ending March 2023	Year-on-year changes	Year-on-year % changes
Net sales	2,712	2,707	-4	-0.2%
Automobile repair and sheet metal	1,196	1,233	+36	+3.1%
Driving school	510	495	-15	-3.0%
Household product planning and sale	1,004	978	-26	-2.6%
Gross profit	671	645	-26	-3.9%
Gross profit margin	24.8%	23.8%	-0.9 pt	—
Operating profit	97	87	-9	-10.1%
Operating profit margin	3.6%	3.2%	-0.4 pt	—

Real-Estate Related (Profit and Loss: Year-on-year Comparison)



(In millions of yen)	First half of the fiscal year ended March 2022	First half of the fiscal year ending March 2023	Year-on-year changes	Year-on-year % changes
Net sales	584	684	+99	+17.0%
Real-estate leasing	216	195	-20	-9.5%
Bathhouse business	346	470	+124	+35.8%
Support for preventive long-term care	22	17	-4	-19.4%
Gross profit	124	130	+6	+5.3%
Gross profit margin	21.2%	19.1%	-2.1 pt	—
Operating profit	101	112	+11	+11.2%
Operating profit margin	17.3%	16.4%	-0.9 pt	—

Segment Information

(Comparison of Net Sales and Operating Profit by Segment)



(In millions of yen)

Net sales	First half of the fiscal year ended March 2022	Composition ratio	First half of the fiscal year ending March 2023	Composition ratio	Year-on-year changes of composition ratio
Fine Chemicals	7,215	51.0%	7,112	48.9%	-2.1 pt
Porous Materials	3,640	25.7%	4,038	27.8%	+2.0 pt
Services and Real-Estate Related	3,297	23.3%	3,391	23.3%	+0.0 pt
Total	14,153	100.0%	14,542	100.0%	—

Operating profit	First half of the fiscal year ended March 2022	Composition ratio	First half of the fiscal year ending March 2023	Composition ratio	Year-on-year changes of composition ratio
Fine Chemicals	1,154	61.3%	952	56.3%	-5.0 pt
Porous Materials	530	28.1%	538	31.8%	+3.7 pt
Services and Real-Estate Related	198	10.5%	199	11.8%	+1.3 pt
(*) Total	1,883	100.0%	1,690	100.0%	—

(*) Total amounts include the consolidated adjustment amount.

SEEK OUT
INNOVATION

~ Discover future necessities ~

