



**For the Fiscal Year Ended March 2018**

# ***SOFT99 corporation***

## **Financial Results Briefing**

May 30, 2018

- 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

# Corporate Profile



## **SOFT99** corporation

Establishment	October 28, 1954
Capital	¥2,310,056,000
Representative	President and CEO Hideaki Tanaka
No. of employees	205 (as of March 31, 2018)
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 Interlocking directors
ASMO Co., Ltd. 	Chuo-ku, Osaka	¥80 mil.	100.0%	Financial assistance and real estate leasing 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 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 Interlocking directors
Orange Japan Inc. 	Koto-ku, Tokyo	¥30 mil.	100.0%	Financial assistance and real estate leasing 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%	Financial assistance

# Outline of Operating Segments



Operating segments	Subsegments	Operating companies	
Fine Chemicals	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.
Porous Materials	Industrial materials		AION Co., Ltd.
	Consumables		
Services	Auto service business		SOFT99 autoservice Co., Ltd.
	Driving school business		ASMO Co., Ltd.
	Planning and sale of household products		KURASHIKIKAKU Co., Ltd.
Real-Estate Related	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 and profit increased for all segments and operating profit marked the highest level since our going public.

(In millions of yen)

	March 2017	March 2018	Year-on-year changes	Year-on-year % changes
<b>Net sales</b>	22,369	<b>23,413</b>	+1,044	+4.7%
Gross profit	8,309	<b>8,886</b>	+577	+6.9%
Gross profit margin	37.1%	<b>38.0%</b>	+0.9 pt	—
Selling, general and administrative expenses	5,890	<b>6,138</b>	+248	+4.2%
<b>Operating profit</b>	2,419	<b>2,747</b>	+328	+13.6%
Operating profit margin	10.8%	<b>11.7%</b>	+0.9 pt	—
Ordinary profit	2,597	<b>2,895</b>	+298	+11.5%
Net income before income taxes	2,485	<b>2,785</b>	+300	+12.1%
Net income attributable to shareholders of parent company	1,790	<b>1,919</b>	+129	+7.2%

# Condensed Consolidated Cash Flow

(Year-on-year comparison)



(In millions of yen)

	March 2017	March 2018
Cash flows from operating activities	2,030	<b>2,415</b>
Cash flows from investing activities	(892)	<b>(788)</b>
Cash flows from financing activities	(503)	<b>(656)</b>
Effect of exchange rate changes on cash and cash equivalents	(2)	<b>1</b>
Net increase (decrease) in cash and cash equivalents	631	<b>972</b>
Cash and cash equivalents at the beginning of the year	14,049	<b>14,680</b>
Cash and cash equivalents at the end of the year	14,680	<b>15,653</b>

Depreciation expense	681	<b>697</b>
Capital expenditures (*)	1,032	<b>977</b>

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



# Condensed Consolidated Balance Sheet

(Year-on-year comparison)



(In millions of yen)

	March 31, 2017	March 31, 2018	Year-on-year changes		March 31, 2017	March 31, 2018	Year-on- year changes
<b>Current Assets</b>	21,887	23,824	+1,937	<b>Current Liabilities</b>	2,771	3,819	+1,048
Cash and deposits	15,136	16,107	+971	Accounts payable	1,054	1,249	+195
Accounts receivable	3,582	4,025	+443	Income taxes payable	286	573	+287
Marketable securities	602	300	-302	Payables and accrued expenses	1,051	1,182	+131
Inventories	2,189	2,897	+708	Others	379	813	+434
Others	376	493	+117	<b>Non-current Liabilities</b>	3,619	3,611	-8
<b>Non-current Assets</b>	28,782	29,443	+661	<b>Total Liabilities</b>	6,390	7,431	+1,041
Property, plant and equipment	21,981	22,397	+416	<b>Net Assets</b>	44,279	45,836	+1,557
Intangible assets	141	175	+34	Shareholders' equity	43,738	45,101	+1,363
Investments and other assets	6,660	6,870	+210	Accumulated other comprehensive income	540	734	+194
<b>Assets</b>	50,670	53,267	+2,597	<b>Liabilities and Net Assets</b>	50,670	53,267	+2,597

# Consolidated Highlight Financial Indicators

(Year-on-year comparison)



	March 2017	March 2018	Year-on-year changes
Total assets (million yen)	50,670	<b>53,267</b>	+2,597
Net assets (million yen)	44,279	<b>45,836</b>	+1,557
Equity ratio	87.4%	<b>86.0%</b>	-1.4 pt
ROA (Ordinary profit/Total assets*)	5.2%	<b>5.6%</b>	+0.4 pt
ROE (Net profit/Net assets)	4.1%	<b>4.2%</b>	+0.1 pt
Total asset turnover (Net sales/Total assets)	0.44	<b>0.44</b>	±0.00
Net income per share (yen)	82.57	<b>88.57</b>	+6.00

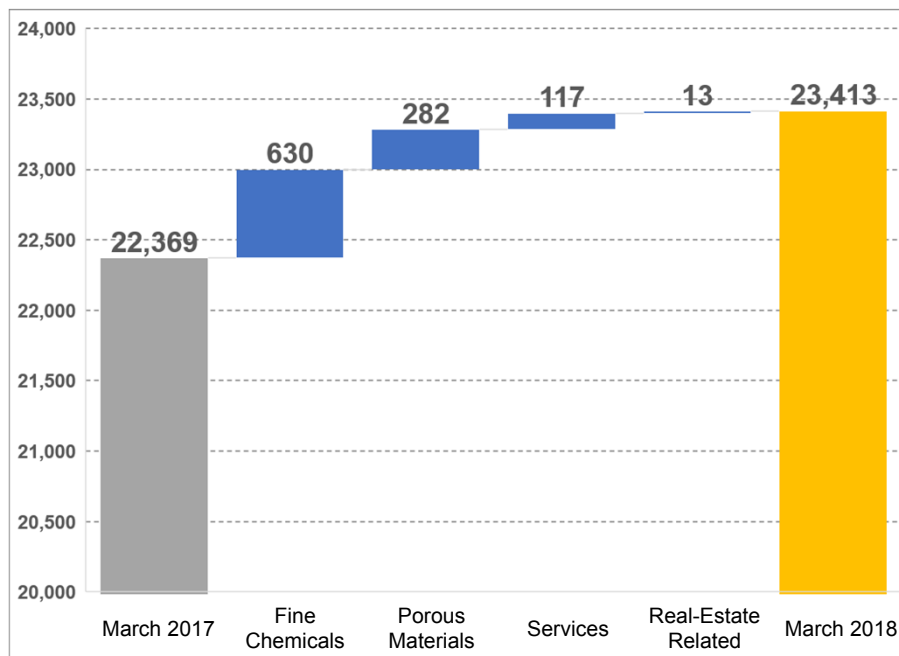
\* Average of figures at the beginning and the end of the fiscal year.

## III: Outline of Segment Results

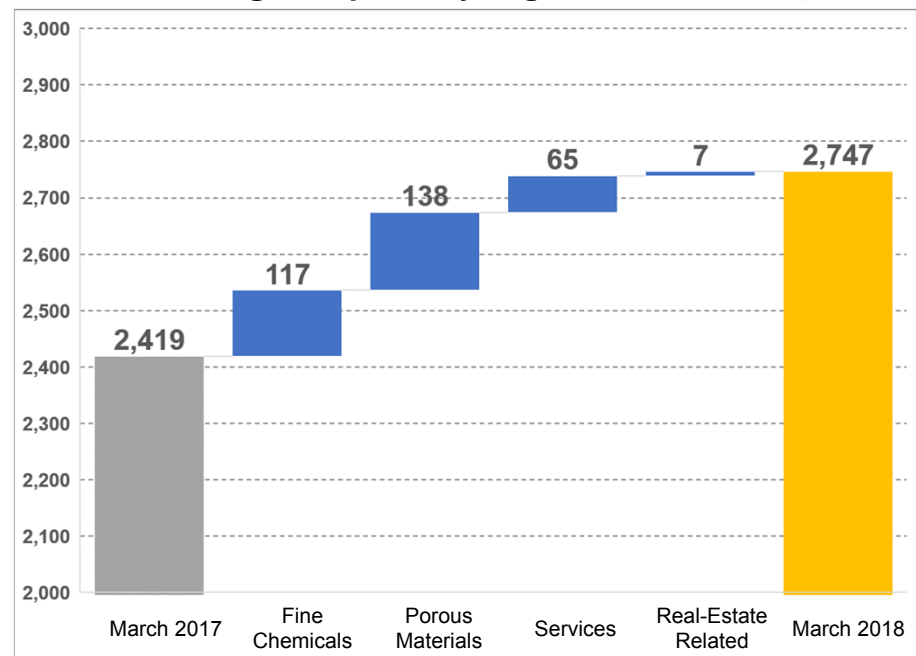
# Overall Results (Profit and loss: Year-on-year comparison)

- Net sales and profit increased for all segments.
- Two segments—Fine Chemicals and Porous Materials—led the growth in both sales and profit.

**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)

■ Both net sales and profit increased as a whole.

- ✓ In car care products for general use, glass care products saw strong sales in particular.
- ✓ The growth was led by substantial expansion in foreign operations.

(In millions of yen)	March 2017	March 2018	Year-on-year changes	Year-on-year % changes
<b>Net sales</b>	<b>10,806</b>	<b>11,437</b>	<b>+630</b>	<b>+5.8%</b>
General use: Car-exterior care	1,938	1,948	+10	+0.5%
General use: Glass care	3,452	3,610	+158	+4.6%
General use: Repair products	2,185	2,194	+8	+0.4%
Professional use	1,431	1,439	+7	+0.5%
Home care products, etc.	581	589	+7	+1.3%
Foreign operations	1,050	1,395	+345	+32.9%
TPMS: Tire-Pressure Monitoring System	99	130	+31	+31.7%
Others (Includes import sale and sale of resin containers)	67	129	+61	+90.1%
<b>Gross profit</b>	<b>5,220</b>	<b>5,509</b>	<b>+289</b>	<b>+5.5%</b>
Gross profit margin	48.3%	48.2%	-0.1 pt	—
<b>Operating profit</b>	<b>1,305</b>	<b>1,423</b>	<b>+117</b>	<b>+9.0%</b>
Operating profit margin	12.1%	12.4%	+0.3 pt	—

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

- Both net sales and profit increased as a whole.
  - ✓ Domestic sales of industrial materials in particular expanded and overseas sales were also firm.
  - ✓ Profit increased as a result of cost improvement through increased sales of products with high profit margins and the improved utilization of factories.

(In millions of yen)	March 2017	March 2018	Year-on-year changes	Year-on-year % changes
<b>Net sales</b>	<b>5,178</b>	<b>5,461</b>	<b>+282</b>	<b>+5.5%</b>
Industrial materials	3,668	3,928	+260	+7.1%
Domestic	1,876	2,098	+222	+11.8%
Overseas	1,792	1,830	+38	+2.1%
Consumables	1,510	1,532	+22	+10.7%
Domestic	708	730	+21	+3.2%
Overseas	801	802	+1	+0.1%
<b>Gross profit</b>	<b>1,681</b>	<b>1,837</b>	<b>+155</b>	<b>+9.3%</b>
Gross profit margin	32.5%	33.6%	+1.1 pt	—
<b>Operating profit</b>	<b>698</b>	<b>837</b>	<b>+138</b>	<b>+19.9%</b>
Operating profit margin	13.5%	15.3%	+1.8 pt	—

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

- Both net sales and profit increased as a whole.
  - ✓ In the auto service business, coating and protective film installation services performed well. The processing capacity of factories improved following the revisions of the structure of each factory.
  - ✓ In the driving school business, students who take training courses for semi-medium-sized vehicles rose, and corporate and local transport bureau sponsored training were enhanced.
  - ✓ Products adopted in the business of planning and sale of household products increased for the CO-OP, which is the mainstay.

(In millions of yen)	March 2017	March 2018	Year-on-year changes	Year-on-year % changes
<b>Net sales</b>	<b>4,942</b>	<b>5,059</b>	<b>+117</b>	<b>+2.4%</b>
Auto service	2,388	2,453	+64	+2.7%
Driving school	870	885	+15	+1.8%
Planning and sale of household products	1,683	1,720	+37	+2.2%
<b>Gross profit</b>	<b>1,106</b>	<b>1,241</b>	<b>+134</b>	<b>+12.2%</b>
Gross profit margin	22.4%	24.5%	+2.1 pt	—
<b>Operating profit</b>	<b>144</b>	<b>209</b>	<b>+65</b>	<b>+45.5%</b>
Operating profit margin	2.9%	4.1%	+1.2 pt	—

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

■ Both net sales and profit increased as a whole.

- ✓ Net sales in the real-estate leasing business increased as the utilization rate of retained properties rose and some properties were turned into leased properties.
- ✓ In the bathhouse business, net sales and the number of customers decreased due to an equipment failure at some stores.
- ✓ Net sales in the business of support for preventive long-term care grew owing to the increase in the number of registered members.

(In millions of yen)	March 2017	March 2018	Year-on-year changes	Year-on-year % changes
<b>Net sales</b>	<b>1,441</b>	<b>1,455</b>	<b>+13</b>	<b>+1.0%</b>
Real-estate leasing	364	374	+10	+2.7%
Bathhouse business	1,030	1,028	-2	-0.0%
Support for preventive long-term care	47	52	+5	+11.3%
<b>Gross profit</b>	<b>301</b>	<b>306</b>	<b>+4</b>	<b>+1.6%</b>
Gross profit margin	20.9%	21.0%	+0.1 pt	—
<b>Operating profit</b>	<b>261</b>	<b>269</b>	<b>+7</b>	<b>+2.7%</b>
Operating profit margin	18.2%	18.5%	+0.3 pt	—



# Segment Information

(Comparison of net sales and operating profit by segment)



(In millions of yen)

<b>Net sales</b>	March 2017	Composition ratio	March 2018	Composition ratio	Year-on-year changes of composition ratio
Fine Chemicals	10,806	48.3%	<b>11,437</b>	<b>48.9%</b>	+0.6 pt
Porous Materials	5,178	23.1%	<b>5,461</b>	<b>23.3%</b>	+0.2 pt
Services and Real-Estate Related	6,383	28.5%	<b>6,514</b>	<b>27.8%</b>	-0.7 pt
Total	22,369	100.0%	<b>23,413</b>	<b>100.0%</b>	—

<b>Operating profit</b>	March 2017	Composition ratio	March 2018	Composition ratio	Year-on-year changes of composition ratio
Fine Chemicals	1,305	53.9%	<b>1,423</b>	<b>51.8%</b>	-2.1 pt
Porous Materials	698	28.9%	<b>837</b>	<b>30.5%</b>	+1.6 pt
Services and Real-Estate Related	406	16.8%	<b>478</b>	<b>17.4%</b>	+0.6 pt
(*) Total	2,419	100.0%	<b>2,747</b>	<b>100.0%</b>	—

(\*) Total amounts include adjustments.

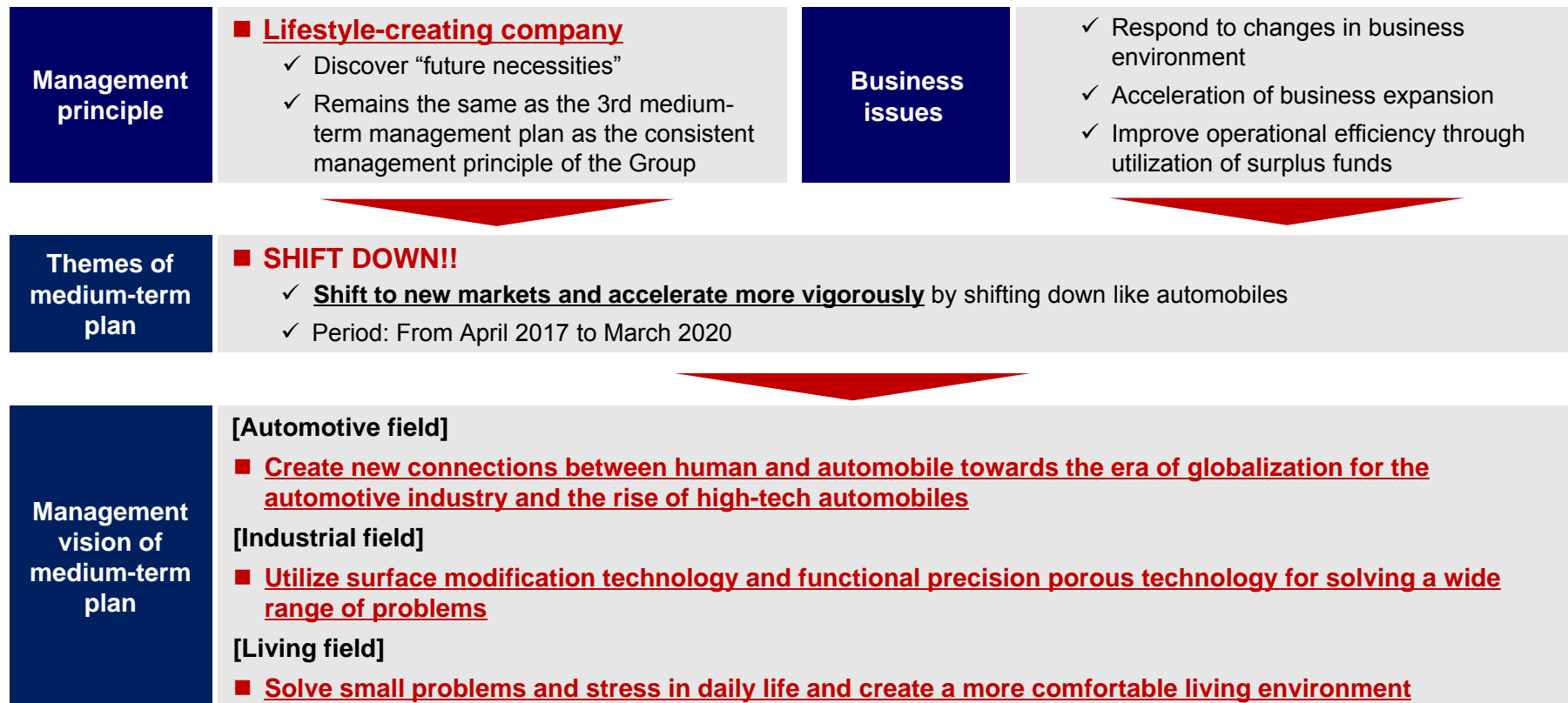
## IV: Progress of the Fifth Medium-term Management Plan

# Outline of Medium-term Management Plan

## (1/2: Themes 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.



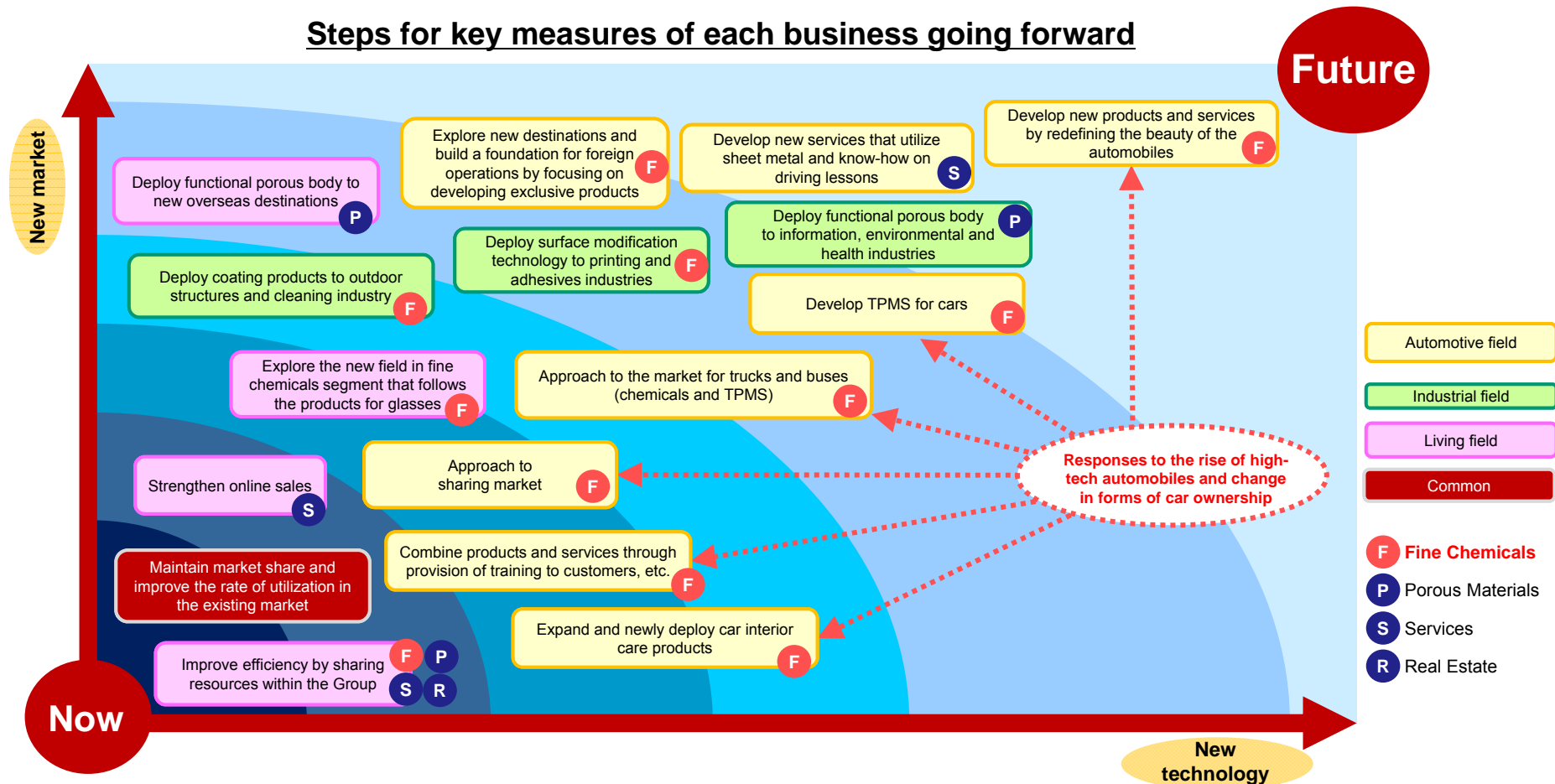
# Outline of Medium-term Management Plan

## (2/2: Key measures)



- Based on basic management principles, we will gradually launch efforts and initiatives for new markets and technologies mainly in the automotive field of fine chemicals segment.

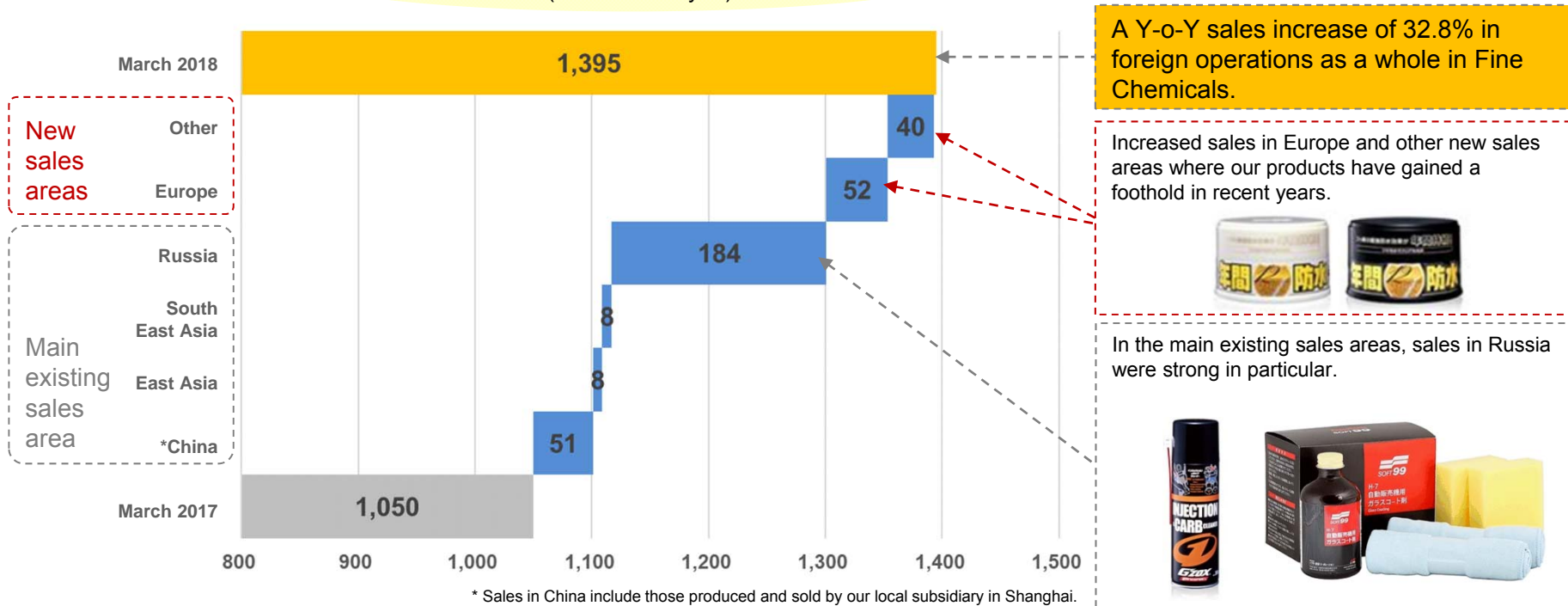
### Steps for key measures of each business going forward



# Key Results (1/4: 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.
  - ✓ In Europe, shipment volumes to agents in Poland have continued to expand in recent years.
  - ✓ In the main existing sales areas, shipment volumes to Russia increased significantly year-on-year.
  - ✓ Sales in Asia, mainly China, East Asia and South East Asia, have been firm.

**Year-on-year changes in sales of foreign operations by region**  
(In millions of yen)

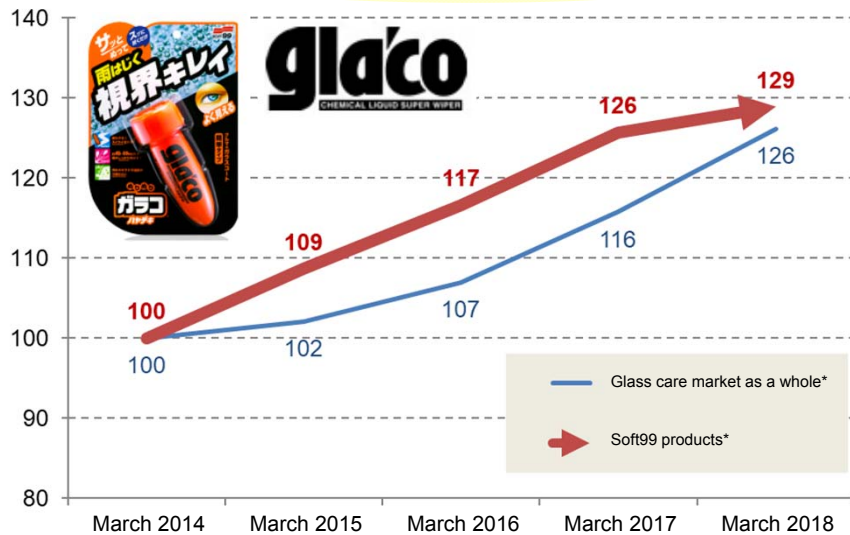


# Key Results (2/4: Maintaining market share in the existing market (1))

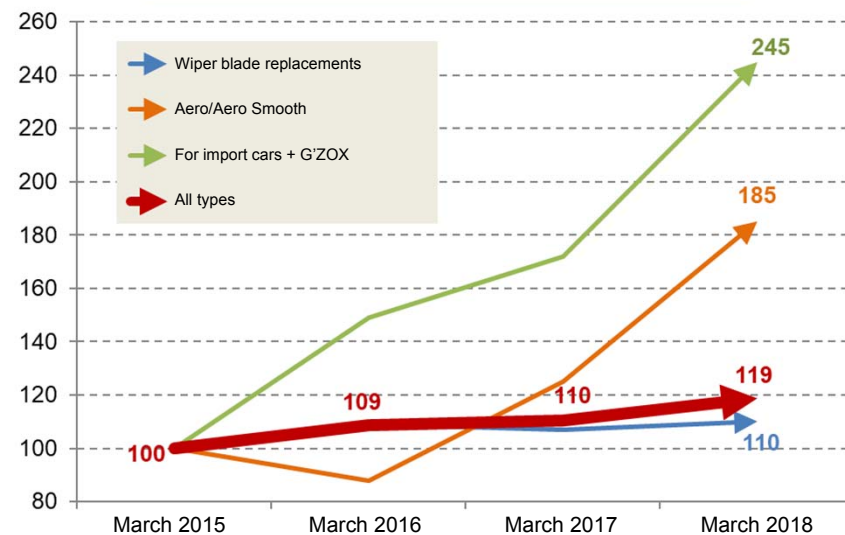


- [Fine Chemicals] Maintaining market share in the glass care market
  - ✓ In glass care chemical products for cars, sales of our mainstay “GLACO” series were firm.
  - ✓ In water repellent wipers for cars, sales channels expanded to professional-use dealers such as car dealers in addition to volume retailers, and sales of high value-added products such as those for import cars and aero form wiper blades were favorable.

**Changes in sales volume of glass care products (chemical products excluding wipers)**  
 (Presented as indices assuming the results for March 2014 as 100)



**Changes in sales volume of water repellent wipers**  
 (Presented as indices assuming the results for March 2015 as 100)



\* Source: Intage SRI glass care market (water repellent for glass, window washer fluid and glass cleaners)  
 Modified by Soft99 based on the sales amount from April 2013 to March 2018.

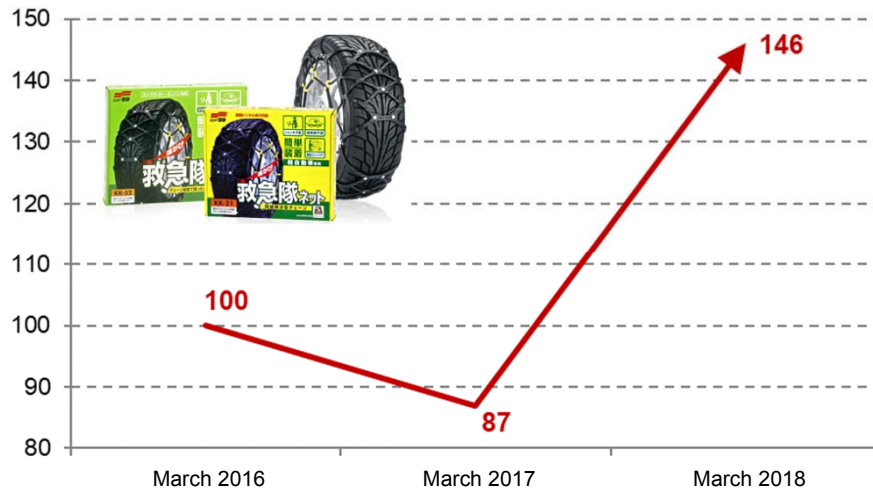
# Key Results (3/4: Maintaining market share in the existing market (2) and approach to the truck and bus market)



- [Fine Chemicals] Expanding sales of tire chains and TPMS for trucks and buses
  - ✓ The consumption rate of tire chains, one of our winter products, rose owing to appropriate exposure in stores in time for lowering temperatures and increasing snowfall across Japan from January 2018.
  - ✓ Expanded sales of TPMS for trucks and buses to transportation and freight companies.

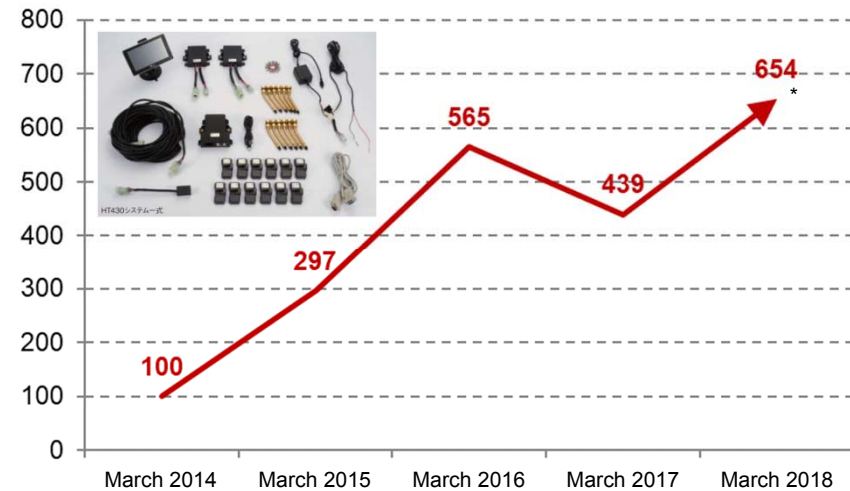
**Changes in sales volume of “Easy Tire Chain” tire chains (August to March)**

(Presented as indices assuming the results for March 2016 as 100)



**Changes in sales volume of TPMS for trucks and buses “HT430”**

(Presented as indices assuming the results for March 2014 as 100)



\* Includes sales of our new product “HT430 BLE” for fiscal year ended March 2018

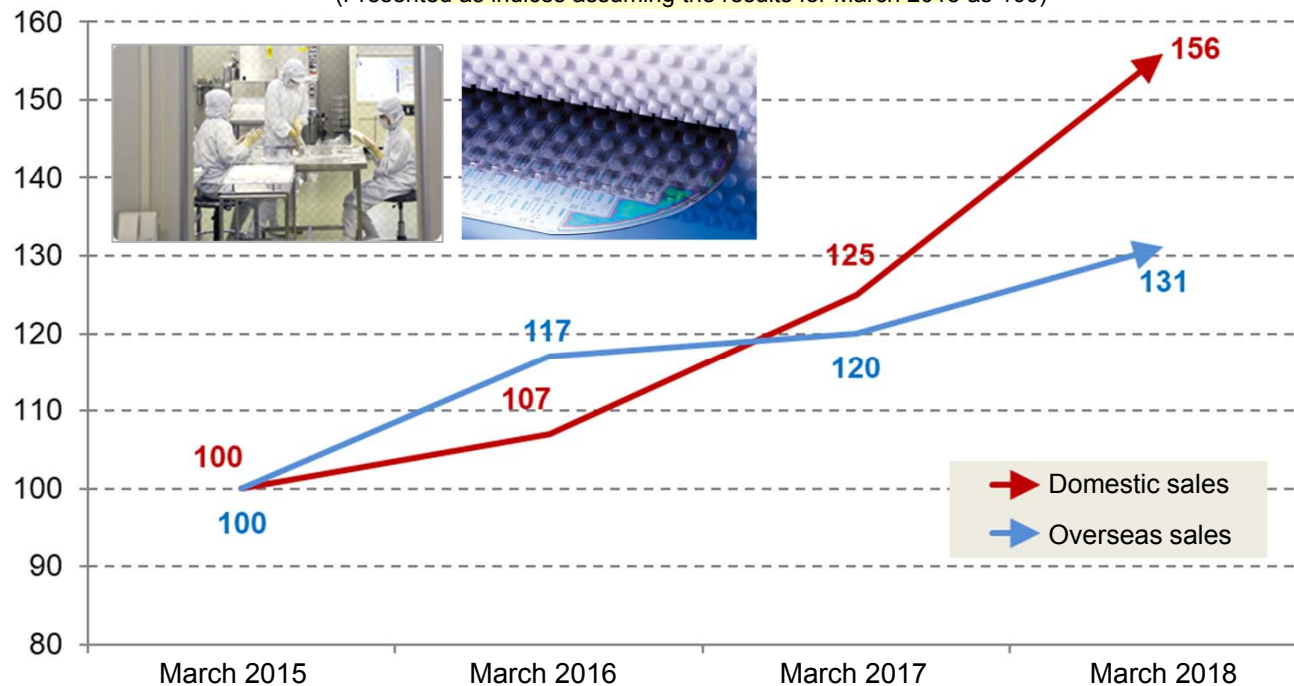
# Key Results (4/4: Maintaining market share in the existing market (3))



- [Porous Materials] Maintaining market share in the industrial material market
  - ✓ Following robust demand for capital investment in the semiconductor market, shipment volumes to domestic semiconductor producing equipment makers increased.
  - ✓ Shipment volumes of foreign semiconductor makers were also strong.
  - ✓ Going forward, capital investment will be necessary in order to enhance production capability for further sales expansion.

## Changes in sales volume of products for semiconductors in Porous Materials

(Presented as indices assuming the results for March 2015 as 100)





## Measures in Progress (1/5: Developing new sales channels (1))



### ■ Build a foundation for foreign operations

Aim to increase sales volume of existing chemical products by cultivating new sales areas such as India, which is the new big market after Europe.



## Measures in Progress (2/5: Developing new sales channels (2))

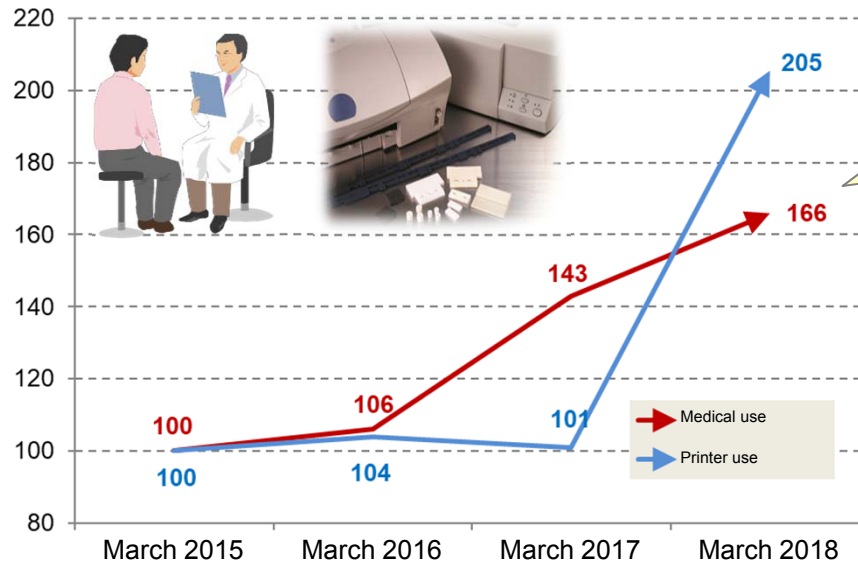


### ■ Application of functional porous units for information, environmental and health industries

- ✓ Medical: Application of influenza test kits, expansion of the use of liquid absorbing materials, wipers and filters
- ✓ Other: Application of liquid absorbing materials for printers, expansion of the use of biological odor control and drainage treatment

#### **Changes in sales volume of medical use products and liquid absorbing materials for printers**

(Presented as indices assuming the results for March 2015 as 100)



In our sales of medical use products, we mainly provide some components in the general medical device (\*) area. Going forward, we will aim to expand our sales by

- **Scaling out our sales of components**
- **Providing end products by obtaining medical devices marketing license**

[Reference]  
\* **General medical devices**  
Medical devices other than the specially controlled medical devices and controlled medical devices and that are designated and controlled by the Minister of Health, Labour and Welfare after seeking the opinion of the Pharmaceutical Affairs and Food Sanitation Council as those with little potential risk to human life and health in the event of a side effect or malfunction occurring. (Article 2 (7) of the Pharmaceutical Affairs Act)

# Measures in Progress (3/5: Developing new products and services (1))



- Redefine the beauty of automobiles and expanding car interior care products
  - ✓ Continuously propose new car body care products that reflect changes in the car wash environment and the mindset with regard to car washing.
  - ✓ Continuously expand new car interior care products that reflect changes in the use of cars.
  - ✓ Eliminate the boundary between products for general consumers and professional-use products and provide all products in a wide range of business categories.

Development of new products and services by redefining the beauty of automobiles



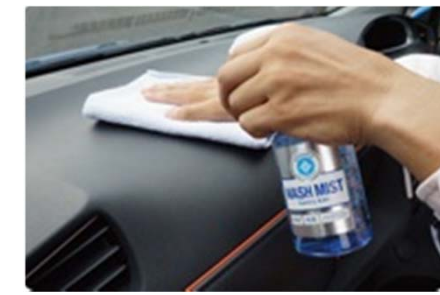
- Develop “waterless car wash” products amidst the decline in car wash locations
- Develop “**MaxWash**,” a new car wash product series that improves the car wash process
- Propose products that improve the installation process of pro-use coating



Expansion and new development of car interior care products



- Develop a new brand, “**ROOMPIA**,” for car interior cleaning such as multi-purpose car interior cleaners and seat stain-resistant coatings with sterilization and deodorizing effects



# Measures in Progress (4/5: Developing new products and services (2))



- Approach the truck and bus industry and develop TPMS for passenger cars
  - ✓ Aim to expand sales channels by introducing the new TPMS system “HT430 BLE (with built-in Bluetooth)” for trucks and buses
  - ✓ Scheduled to develop new TPMS products for passenger cars (providing add-on products as well as genuine sensor repair and replacement products).

## Introduction of the new TPMS system “HT430 BLE” for the truck and bus market



- ✓ With various digital tachographs and collaboration with tire makers' cloud services, drivers as well as transport administrators can check tire pressure and temperatures.
- ✓ Tire pressure and temperatures can be checked through Bluetooth connections with smartphone and tablets.

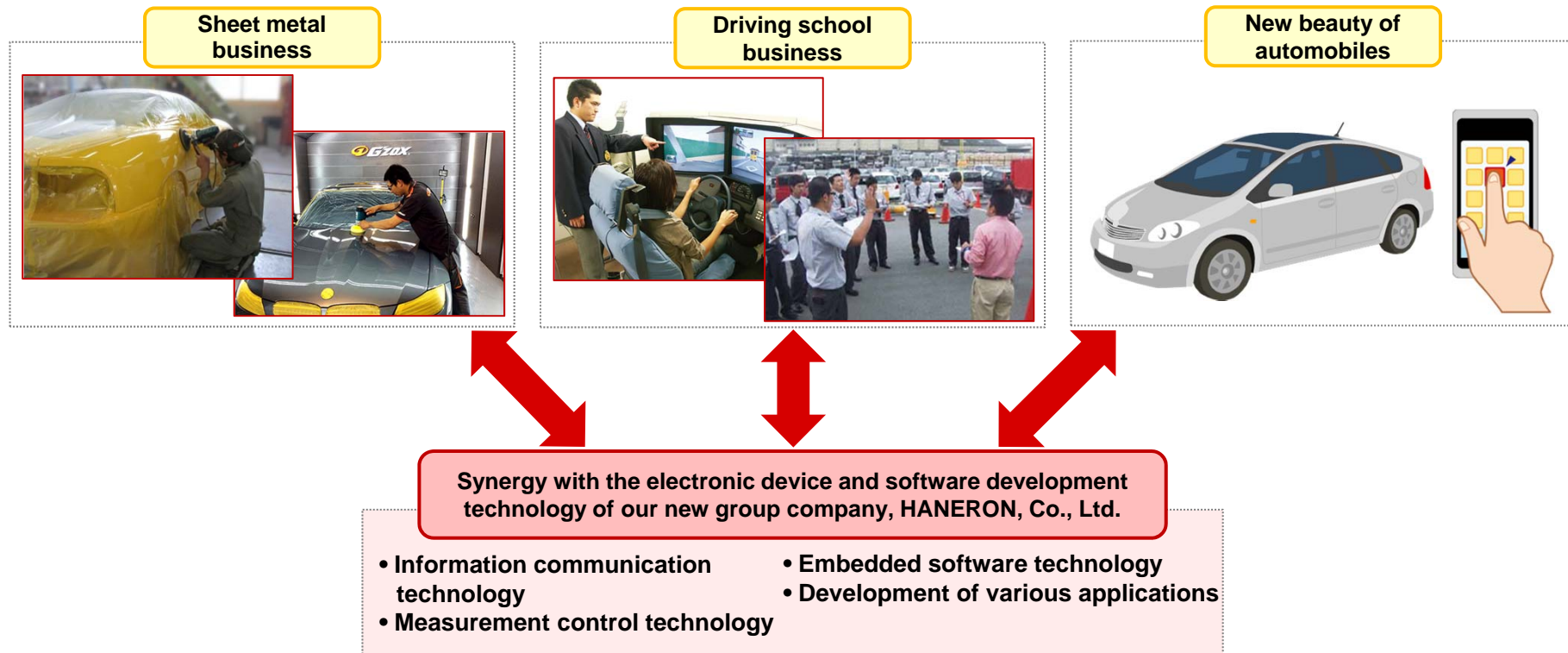
## Scheduled to enhance lineups of TPMS for passenger cars



\* The product images above are simulations at present only and do not guarantee the appearance or performance of the final products.

# Measures in Progress (5/5: Developing new products and services (3))

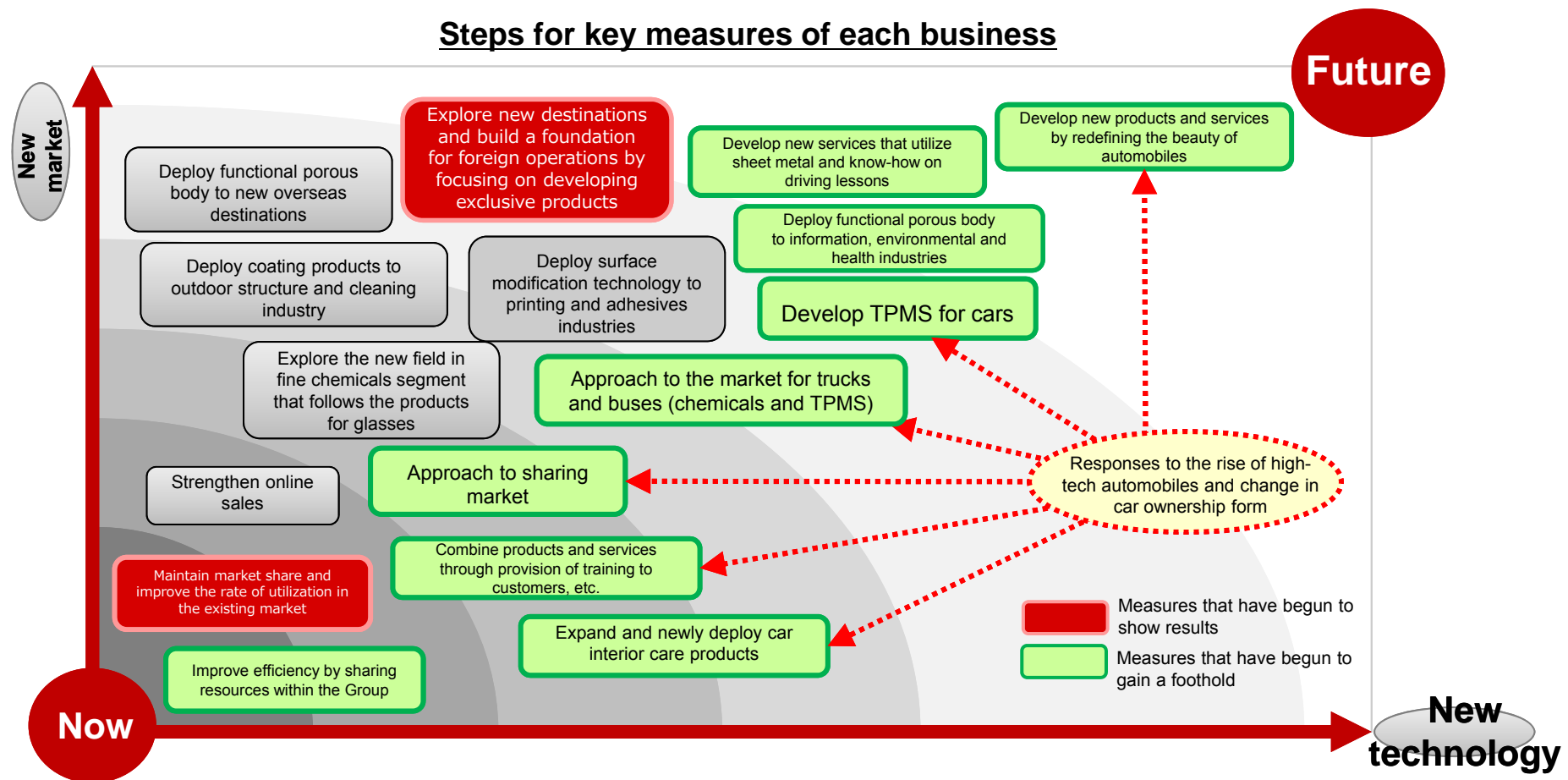
- New proposals for the automobile aftermarket through the utilization of digital technology
  - ✓ Develop new products and services that address the expected shortage of skilled workers in the sheet metal business.
  - ✓ Develop new products and services with the digitalization of safe driving know-how cultivated through the driving school business.
  - ✓ Develop new products and services for the beauty of automobiles that reflect changes in car ownership and utilization.



# Overall Progress of the Medium-term Management Plan

- Responses to the rise of high-tech automobiles and change in car ownership form are priorities
  - ✓ Utilize the know-how of the newly acquired electronic device development company and expand research investment for new products and services.

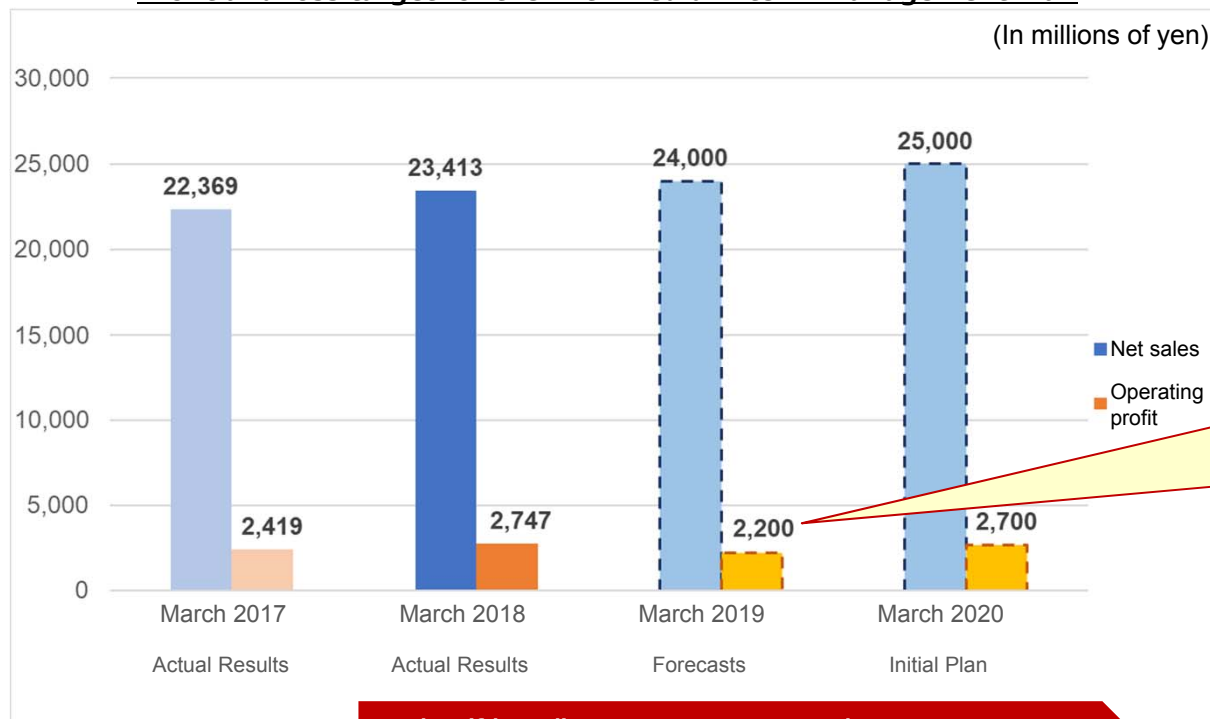
## Steps for key measures of each business



# Progress of the Profit and Loss Plan

- In fiscal year ended March 2018, both net sales and operating profit exceeded the forecasts at the beginning of the fiscal year, mainly due to favorable market conditions.
- In fiscal year ending March 2019, net sales are expected to increase and profit is expected to decrease as the company will develop new products and services for the future and improve production facilities with a further focus on “expanding into new markets.”
- The profit and loss target for the final fiscal year of the medium-term plan will remain unchanged.

**Profit and loss target for the Fifth Medium-term Management Plan**



**A decrease in profit is expected due to increases in expenses for research, personnel and depreciation, etc. to develop new products and services and improve production facilities.**

**The Fifth Medium-term Management Plan “SHIFT DOWN!!”**

# Policy on Return to Shareholders

- Our basic policy on return to shareholders is to continue stable dividend payment.
- In order to achieve a stable return to shareholders, which is directly linked to the results of the main business operation and less likely to be affected by special factors, the target return to shareholders is “20% of the operating profit” from the fiscal year ended March 2018.
- We plan to use retained profits as investments to expand future business and strengthen management structure.

## Dividend payments and forecasts

	Fiscal year ended March 2017 (Actual)	Fiscal year ended March 2018 (Planned)	Fiscal year ending March 2019 (Forecast)
Consolidated operating profit (in million yen)	2,419	2,747	<b>2,200</b>
Consolidated net profit (in million yen)	1,790	1,919	<b>1,600</b>
Total dividends (in million yen)	458	478	<b>478</b>
Interim dividends per share (yen)	10.0	11.0	<b>11.0</b>
Year-end dividends per share (yen)	11.0	11.0	<b>11.0</b>
Annual dividends per share (yen)	21.0	22.0	<b>22.0</b>
Dividend payout ratio	25.4%	24.8%	<b>29.8%</b>
[Reference] Total dividends divided by operating profit	18.9%	17.4%	<b>21.7%</b>

### [Reference]

We purchased our own shares from November 1 to December 6, 2017.  
(Number of shares acquired: 70,000; acquisition amount: 93,371,000 yen)



Thank you very much for  
your attention.