

MORESCO (5018)

Consolidated Fiscal Year (Million Yen)	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY02/2022	27,300	1,434	2,011	1,808	192.76	40.00	1,914.94
FY02/2023	30,333	523	1,046	615	66.19	40.00	2,008.49
FY02/2024CoE	34,500	1,400	1,600	700	75.86	45.00	-
FY02/2023	YoY	11.1%	(63.5%)	(48.0%)	(66.0%)	-	-
FY02/2024CoE	YoY	13.7%	167.7%	53.0%	13.9%	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (5 June 2023)

Improvement of Business Environment


MORESCO, running operations of R&D, manufacture and sale of chemical goods used in diverse applications with autos as the mainstay, is expected to achieve a significant recovery in earnings from FY02/2023 to FY02/2024 due to improvement of business environment. At the same time, the Company is developing measures to achieve sustainable growth for FY02/2025 and thereafter. In terms of profitability, it appears that the Company focuses on enhancing the level of ROE in particular. For FY02/2023, the Company's profitability deteriorated significantly due mainly to continued higher prices of raw materials it purchases and sluggish sales volume. Although the Company was making progress in passing on the higher prices of raw materials to selling prices, a certain time lag is always needed for this to be fully reflected in both sales and earnings, having resulted in consistently declining gross profit margin for FY02/2023. However, as raw material prices have begun to stabilize most recently, the impact of the time lag mentioned above has begun to diminish, suggesting that the gross profit margin is now beginning to show a trend of recovery. Meanwhile, the Company is going for a steady increase in sales volume for FY02/2024. On the Functional Fluids side (mainly applied in autos), an increase in sales volume is expected to occur due to an ongoing increase in the production volume of autos. For example, the Company is looking to an opportunity to benefit from its measures to focus on so-called new energy vehicles, for which demand is picking up sharply. Further, the Company is looking to a contribution from the Hot Melt Adhesives side (mainly applied in hygiene materials) as a result of successful horizontal expansion of applications.

IR Representative: Hirofumi Fujimoto, CFO, Director and Senior Executive Officer

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2.0 Company Profile

Interface Science Specialist

Company Name	MORESCO Corporation Company Website IR Information Share Price (Japanese) 
Established	27 October 1958
Listing	20 October 2023 (scheduled): Tokyo Stock Exchange Standard Market 4 April 2022: Tokyo Stock Exchange Prime Market (ticker: 5018) 14 February 2011: Tokyo Stock Exchange 1st section 29 July 2008: Tokyo Stock Exchange 2nd section 13 November 2003: Registered on the over-the-counter market of JSDA
Capital	¥2,118m (as of the end of February 2023)
No. of Shares	9,696,500 shares, including 468,970 treasury shares (as of the end of Feb. 2023)
Main Features	<ul style="list-style-type: none"> ● Independent (non-keiretsu) manufacturer of chemical goods, some 43% exposed to autos by application in terms of sales ● Specializing in “interface science” with exclusive exposure to niche markets ● R&D, manufacture and sale of chemical goods to fulfil the functionalities of lubrications, adhesives and surface protections
Segments	I . Japan II . China III. Southeast / South Asia IV. North America
Representative	CEO, Representative Director and President: Motohisa Morozumi
Shareholders	Matsumura Oil 11.5%, Cosmo Oil Lubricants 5.4%, MORESCO Employee Stock Ownership Plan 4.4%, Master Trust Bank of Japan, T. 4.2% (as of the end of February 2023, but for treasury shares)
Head Office	Kobe-city, Hyogo-prefecture, JAPAN
No. of Personnel	Consolidated: 784, Parent: 381 (as of the end of February 2023)

Source: Company Data

3.0 Management Vision and Business Model

MORESCO Group Delivers Sustainable One-of-a-kind Products

According to the announcement made on 9 March 2022, the Company, which is an independent (non-keiretsu) manufacturer of chemical goods, has revised its management vision and is now going for “MORESCO Group Delivers Sustainable One-of-a-kind Products / Contributing to a Bright Future as a Specialist in Interface Science” versus “MORESCO Group, Being Small but Glittering around the World / Contributing to a Development of Society as a Specialist of Water, Oils and Polymers” prior to this revision. On top of this, the Company has also announced MORESCO Group Sustainability Policy on the same day. Paying respect to a trend that the world makes a major shift towards the realization of a sustainable society, the Company states that it has revised its management vision with an objective of thoroughly pursuing the principles of sustainability, assuming even an implementation of business restructuring.

Head Office / R&D Center

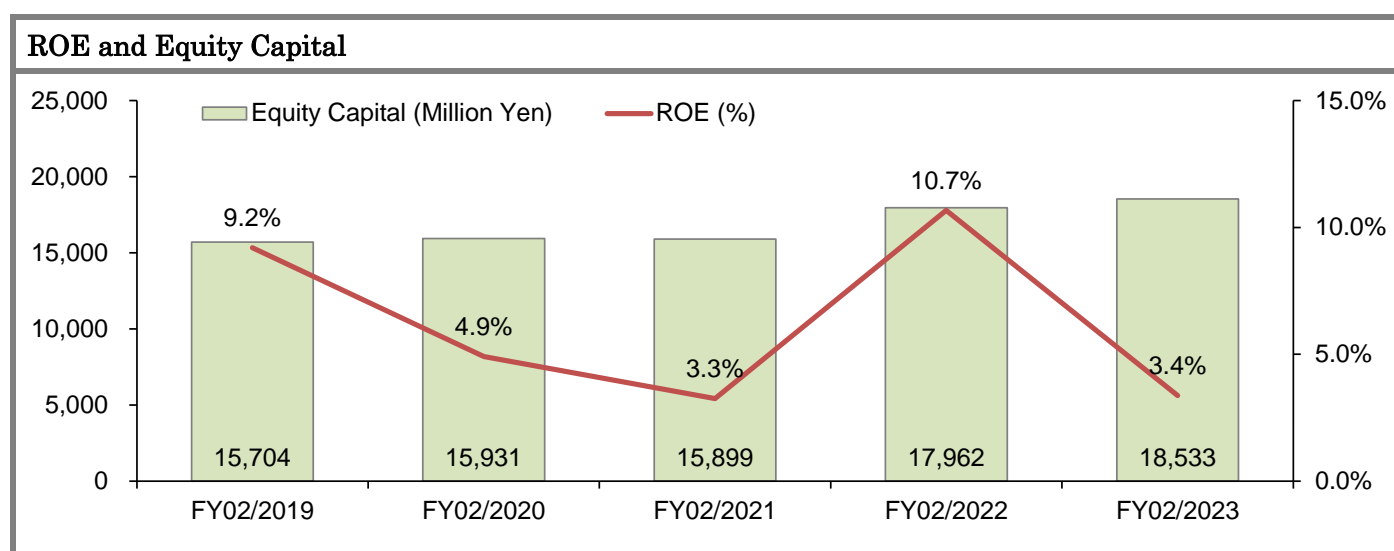


Source: Company Data

Meanwhile, on 11 November 2022, the Company expressed its support for recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD was established by the Financial Stability Board (FSB) in December 2015 at the request of G20 Finance Ministers and Central Bank Governors' Meeting in order to consider climate-related disclosures and financial institutions' responses to climate change. A series of discussions have been held with the aim of developing recommendations to promote efficient disclosures, which are consistent, comparable, dependable and clear, to facilitate appropriate investment decisions regarding climate change factors, having resulted in the publication of the recommendations in June 2017.

The Company considers the impact of climate change on own operations and that of development of own operations on climate change as one of the most important management issues and is promoting sustainability-oriented activities to achieve both the realization of a sustainable society through development of own operations and the enhancement of own corporate value from a long-term perspective. On the occasion of its endorsement of the TCFD recommendations, by the way, the Company has provided a detailed description and scenario analysis for the impact of climate change on own operations and that of own operations on climate change in the four dimensions, comprising a) Governance, b) Strategy, c) Risk Management and d) Metrics and Targets ([URL](#)).

Meanwhile the Company has bought back own shares on 14 July 2022 with an object of “executing flexible capital policy to respond to changes in business environment”, i.e., 162,000 in the number equating 1.72% of the number of shares outstanding but for treasury shares and/or ¥194m in value, taking advantage of off-floor trading scheme of own shares based on the Tokyo Stock Exchange Trading Network System (ToSTNet-3). Looking forward, it appears that the Company may implement a share buy back program with an objective of raising ROE.



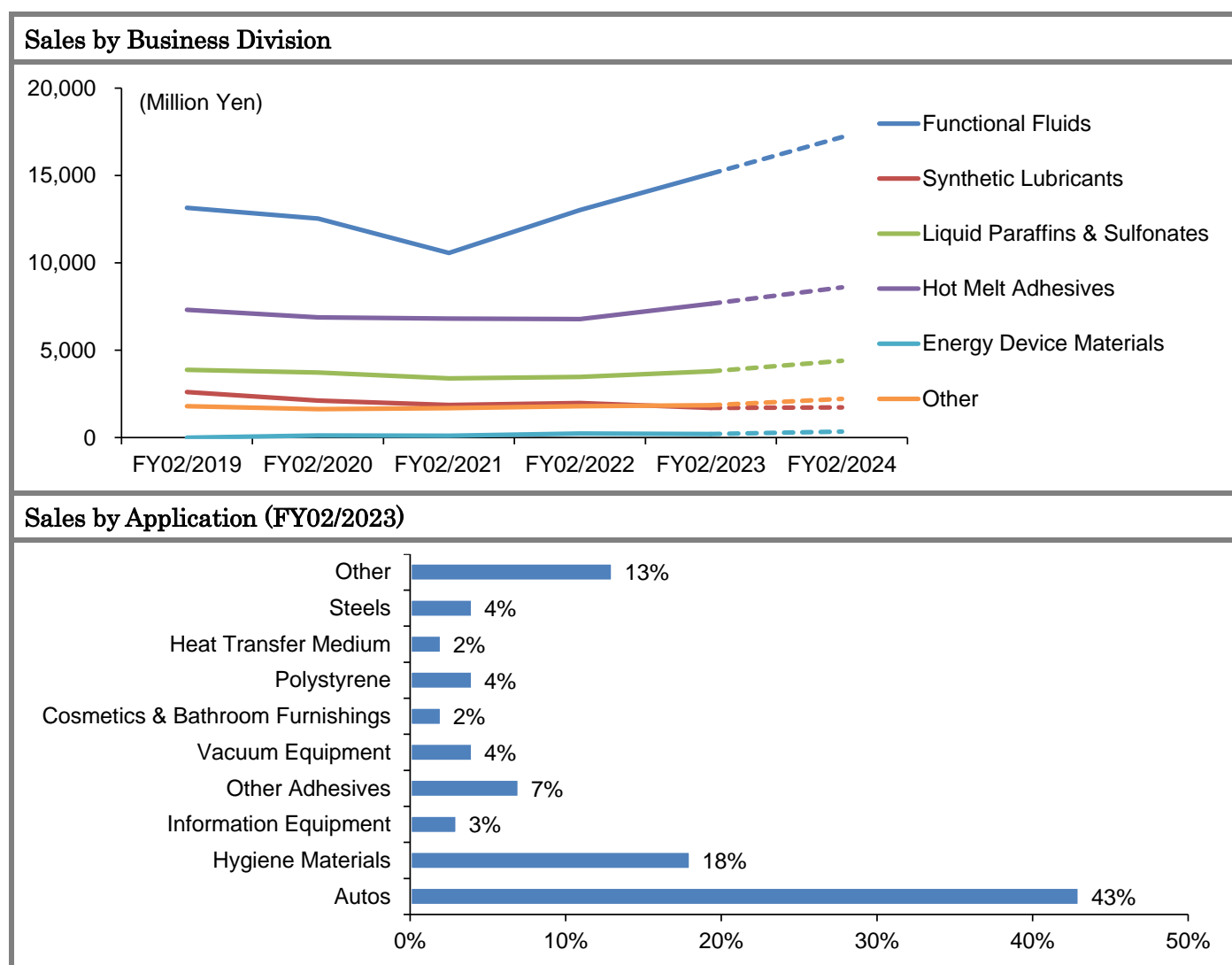
Source: Company Data, WRJ Calculation

Application of Adoption for Standard Market

On 1 March 2023, the Company newly established an IR department under the CFO in order to conduct more proactive IR activities than before. Meanwhile, on 12 May 2023, the Company disclosed its policy on the human rights due diligence, while planning to do so also on human capital management in the near future. On top of this, it appears that the Company is to suggest its growth potential from a long-term perspective by means of launching a new midterm management plan, towards the end of FY02/2024, to succeed the existing MORESCO 9th Midterm Management Plan (FY02/2022 to FY02/2024). By the way, for FY02/2025, the Company plans to reveal its policy on Task Force on Nature-related Financial Disclosures (TNFD) as well as preparing integrated report (in Japanese and English). Together with all those measures, the Company aims to consistently fulfill continued listing criteria of Prime Market. Nevertheless, on 22 May 2023, it was announced that the Company has once implemented application of adoption for Standard Market due to a short-term uncertainty on state of compliance associated with market capitalization of tradable shares and average daily trading value, scheduling to make a listing change to Standard Market on 20 October 2023.

Overwhelming Shares in Niche Markets Small in Size

The Company is running operations of R&D, manufacture and sale for chemical goods which are mainly characterized by a) being attributed to niche markets, b) being attributed to “interface science (to deal with contacts between things one another)” and c) being exposed to diverse applications with autos as the mainstay. In other words, the Company is not involved with products large in size as markets, where the largest manufacturers of chemical goods are the mainstay players, while trying to get at overwhelming shares (one and only) in niche markets with one-of-a-kind products, which has been achieved to more than a certain extent as far as we could gather. Meanwhile, for the areas of so-called “interface science,” chemical goods are required for the functionalities of lubrications, adhesives and surface protections, while the Company’s products have an aspect of being exclusively involved with operations associated with all those functionalities and this is the reason why the Company is regarded as Interface Science Specialist.

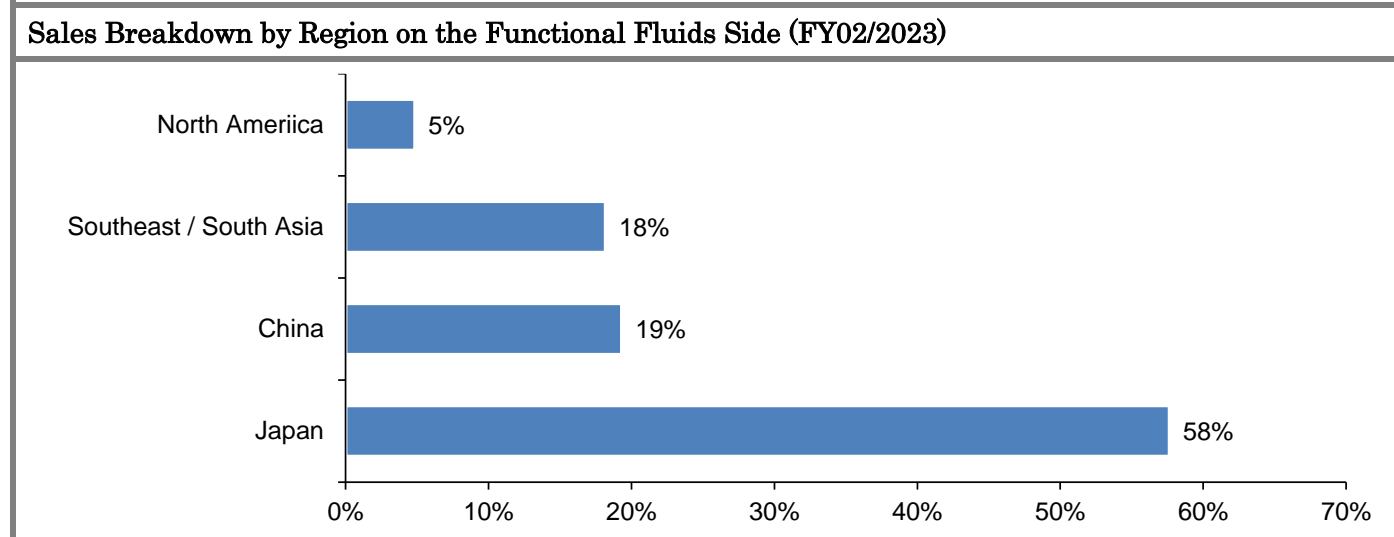
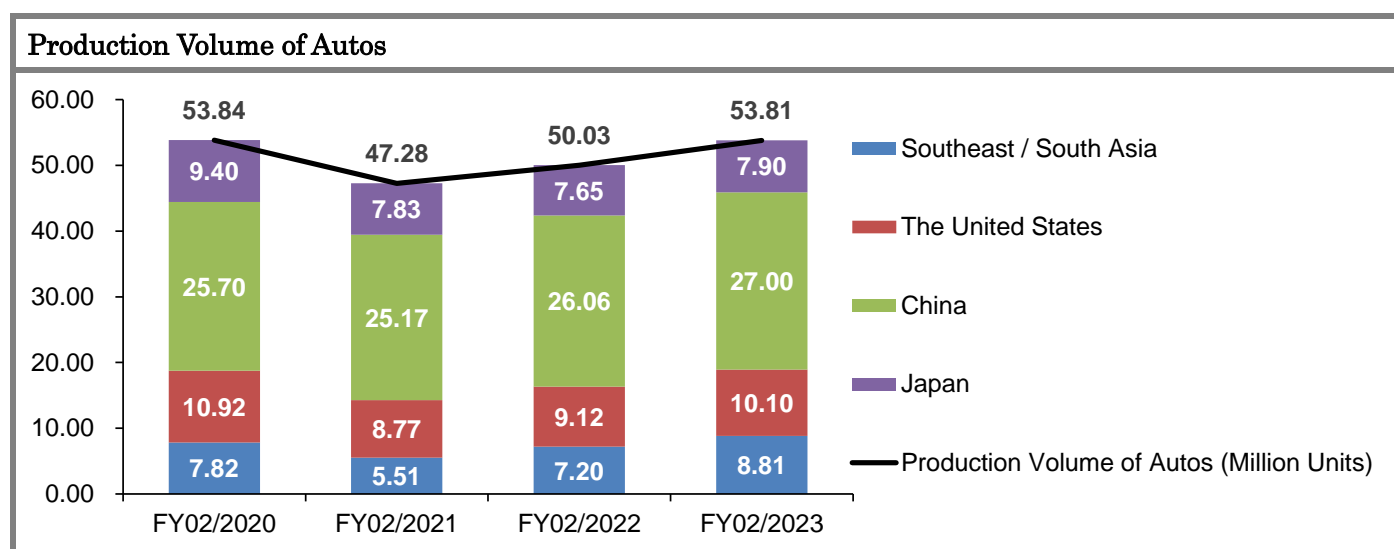


Source: Company Data, WRJ Calculation

Business Environment (a): Production Volume of Autos

For FY02/2023, autos accounted for 43% of total in sales by application and the Company suggests that the bulk of sales here comprises those of products belonging to the Functional Fluids side (49.8% of sales) by business division, i.e., hydraulic fluids, die-casting fluids, cutting fluids and forging lubricants. For vacuum pump oils, also belonging to the Functional Fluids side, the Company states that there is an aspect of being exposed to diverse applications just like the Company's sales by application as a whole.

For example, die-casting fluids, the mainstay on the Functional Fluids side, comprise die-casting lubricants and plunger lubricants, while die casting lubricants are used to release molds from high-temperature alloys made of non-ferrous metals on the occasion of casting (shaping products at a precise instant of time by means of injecting dissolved alloys made of non-ferrous metals into precision molds at high velocities and under high pressure) auto parts (with alloys made of non-ferrous metals, e.g., aluminum and magnesium, as materials) by die casting machines. Meanwhile, sales on the Functional Fluids side comprise 58% in Japan, 19% in China, 18% in Southeast / South Asia (Thailand, Indonesia and India) and 5% in North America by region.



Source: Company Data, WRJ Calculation

For the actual results of FY02/2023, the production volume of autos came in at 7.90m units (up 3.7% YoY) in Japan, 27.00m units (up 3.6%) in China, 8.81m units (up 22.4%) in Southeast / South Asia (Thailand, Indonesia and India) and 10.10m units (up 10.7%) in the United States. That is to say, the Company saw collective 53.81m units (up 7.6%) for the production volume of autos in the locations where it runs operations. By the way, the source of the information is data of MarkLines, reflecting the data during the said accounting period (March 2022 to February 2023) for Japan versus the local accounting period (January 2022 to December 2022) for overseas where the Company runs local operations through its local subsidiaries that have fiscal yearend of December. That is to say, the above-mentioned production volume of autos correspond to the Company's business performance.

For the actual results of FY02/2023, the Company's sales volume declined by 2.1% from FY02/2022 with a reason that sales volume on the mainstay Functional Fluids side (mainly applied in autos) declined by 1.0%. In light of the fact that the production volume of autos in the locations where the Company runs operations increased by 7.6%, it could be the case that the Company suffers from a structurally negative factor, which is denied as follows:

On top of the fact that the production volume of autos in Japan, accounting for 58% of sales on the Functional Fluids side (mainly applied in autos), increased by no more than 3.3% as above-mentioned, the Company suggests that a major manufacturer of autos with which the Company is heavily involved suffered from a cutback in production volume, albeit one-off, due to a supply shortage of semiconductors and automotive components, having led to decreased sales volume for the Company's products in Japan. With respect to the underlying trends overseas, sales volume has increased, but not as much as more than compensating for decreased sales volume in Japan, accounting for more than half of sales.

For the actual results of FY02/2020, the stage before the Corona disaster, the production volume of autos in the locations where the Company runs operations came in at collective 53.84m units versus 53.81m units for the actual results of FY02/2023 as above-mentioned, implying that it should be the case that the impact of Corona disaster has largely run its course to date. Nevertheless, the production volume of autos has declined since then in Japan and the United States, having declined by 16.0% in Japan and by 7.5% in the United States. Meanwhile, the production volume of autos in China and Southeast / South Asia (Thailand, Indonesia and India) has increased since then, having increased by 5.1% in China and by 12.7% in Southeast / South Asia (Thailand, Indonesia and India), suggesting that a recovery in the process of diminishing impact of Corona disaster has been the least in Japan, where the Company sees the majority of sales on the Functional Fluids side (mainly applied in autos), with respect to the production volume of autos.

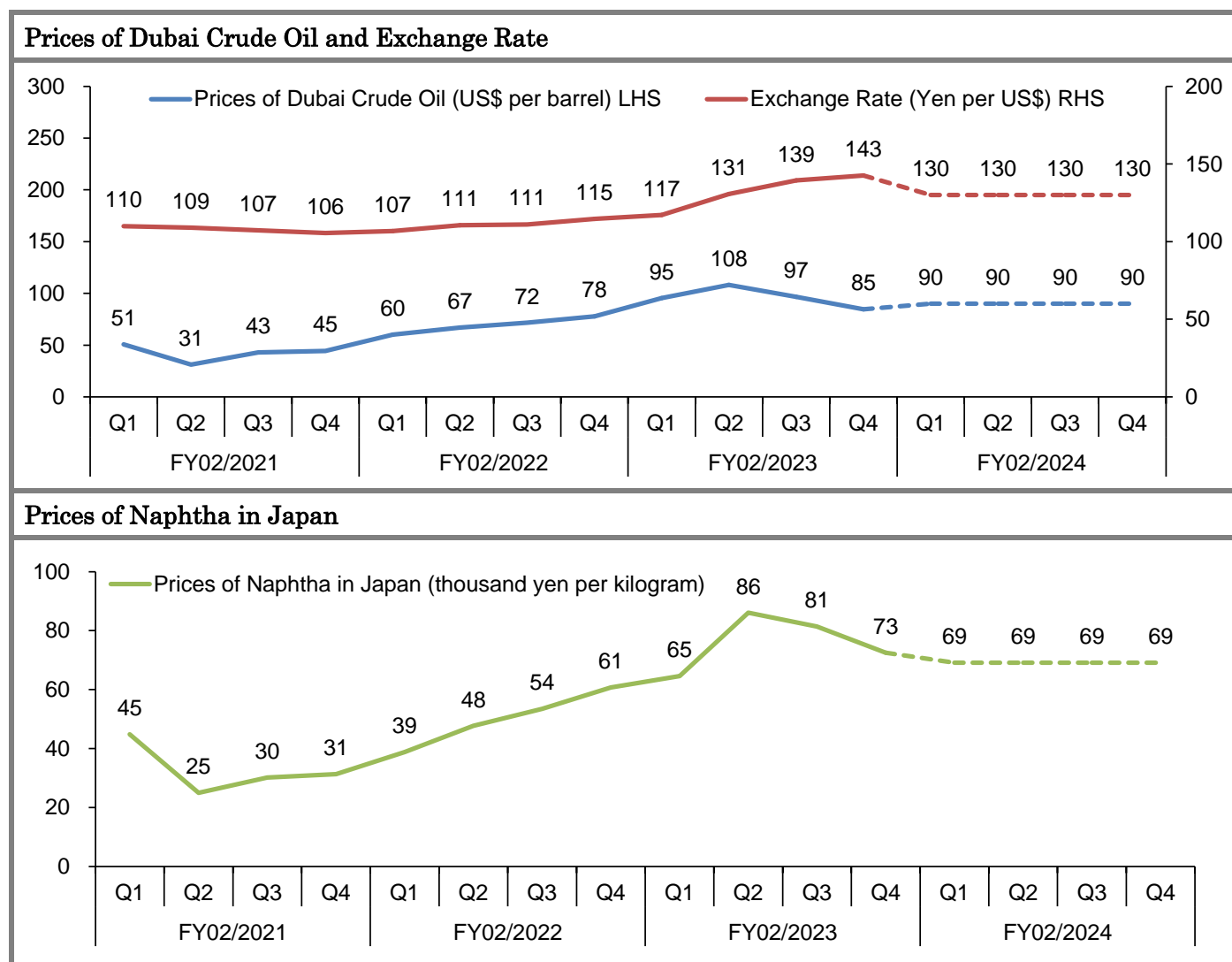
For FY02/2024, meanwhile, the Company assumes an increase in the production volume of autos, including that of Japan accounting for the majority of sales on the Functional Fluids side (mainly applied in autos). In China, the Company is looking to a steady increase in demand for so-called new energy vehicles. At the same time, the Company plans to increase sales volume on the Functional Fluids side (mainly applied in autos) by means of consistently capturing such increase in demand, which is expected to be the key factor for the Company to achieve the target of achieving an increase by 6% to 7% in sales volume as a whole for FY02/2024.

Given the clear trend towards major changes in the automotive market from a long-term perspective, the Company is now focusing on the development of new products for “new energy vehicles,” which is defined by the Chinese government, comprising electric vehicles (EVs), plug-in hybrid vehicles (PHVs) and fuel cell vehicles (FCVs). Meanwhile, the Company has revealed its intentions to develop new products for lightweight components in China, which is expected to be a country to drive the market for new energy vehicles, for the sake of expanding its business globally. According to the Company, while strengthening its local development system, it will also deepen cooperation with development in Japan, which plays a central role in the development of new products for the Company as a whole.

Based on statistical data from the China Automobile Manufacturers Association, the Company is going for prospective sales volume of autos in China equating 27.60m units for CY2023, up 2.8% from 26.86m units for CY2022, while going for 9.00m units, up 30.6% from 6.89m units, respectively, as far as new energy vehicles are concerned. Meanwhile, Worldwide Market Long-Term Outlook by Fuji Keizai suggests that the market (in terms of sales volume) for new energy vehicles is to see a CAGR of some 15% from a long-term perspective. In light of this, the Company has assigned executive officers in each area of operations overseas, i.e., China, North America, Southeast / South Asia (Thailand, Indonesia and India) to respond quickly to customer needs, which is expected to lead to strengthening the system for global expansion.

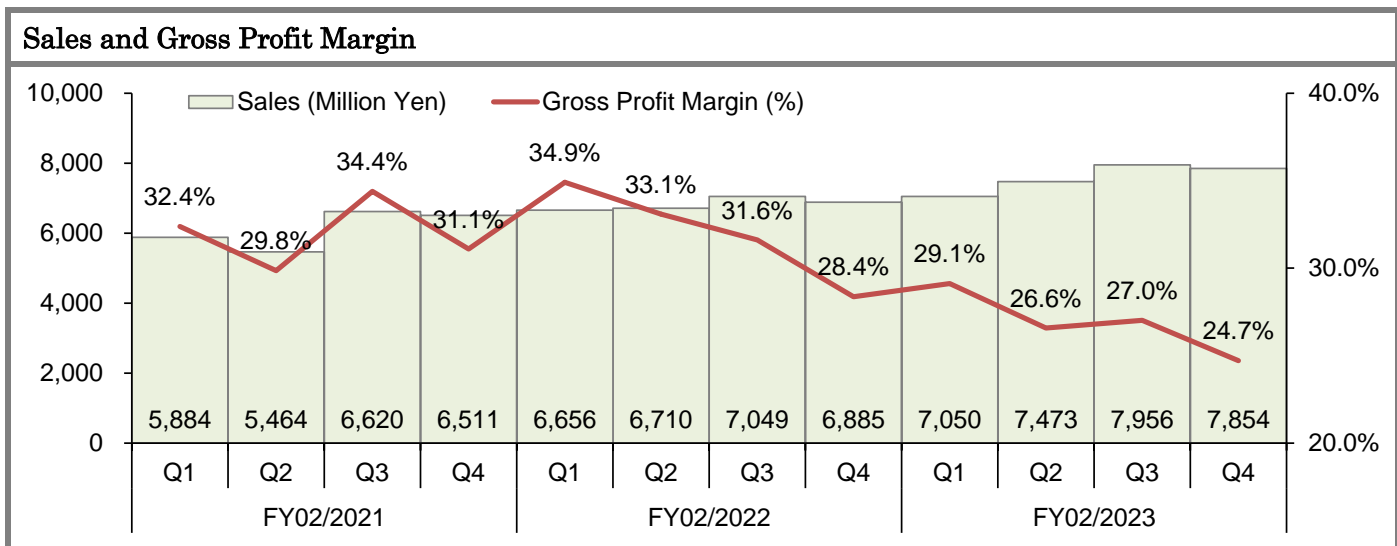
Business Environment (b): Purchase Prices of Raw Materials

The Company is deeply involved with purchase of raw materials derived from naphtha (crude gasoline) and thus changes in prices of crude oil inevitably give a significant impact on the Company's purchase prices of raw materials, prices of Dubai crude oil (US\$ per barrel), exchange rate (Yen per US\$) and prices of naphtha in Japan (thousand yen per kilogram), being mentioned as indicators, which implies that the Company's purchase prices of raw materials basically hinge of changes in prices of naphtha in Japan (thousand yen per kilogram) to be principally decided by yen-denominated prices of crude oil.



Source: Company Data, WRJ Calculation

Prices of naphtha in Japan had surged from Q2 FY02/2021 to Q2 FY02/2023, having had risen by some 3.4 times, while having begun declining for Q3 FY02/2023. Now, for FY02/2024, the Company is going for a continuous stability in the prices after having experienced a phase of surge. This is in line with the trend of yen-denominated prices of crude oil. Prices of Dubai crude oil (US\$ per barrel) saw the peak for Q2 FY02/2023, while there has been a changeover from yen's depreciation to yen's appreciation for exchange rate (Yen per US\$) since the beginning of FY02/2024.



Source: Company Data, WRJ Calculation

The Company has introduced a formula to pass all those changes in purchase prices of raw materials onto the selling prices of its products and it observes that this has been working roughly in line with expectations in reality. However, this formula is only in place for some 50% of the raw materials the Company purchases and it requires a certain time lag for adjustments of selling prices based on this formula to be fully reflected in both sales and earnings. In particular, it requires an extended time lag for earnings during a period when the Company suffers from consistent rise in purchase prices of raw materials. At a stage when selling prices have risen as a result of increased purchase prices of raw materials after a certain time lag (at a stage when sales have been adjusted), the Company sees a further increase in purchase prices of raw materials, generating a negative impact to time-oriented changes of the Company's gross profit margin, according to the Company. In fact, this had been persisting towards the end of the year for FY02/2023. More importantly, however, the Company has been seeing a stability in purchase prices of raw materials for some time, implying that this is now generating a positive impact to time-oriented changes for the Company's gross profit margin.

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The same is true for the trend of the remaining 50% or so of raw materials the Company purchases, which had been subject to higher purchase prices. Given that the above-mentioned formula has not been introduced, it will take a longer time to pass on higher purchase prices of raw materials to selling prices of its products, but there are no changes in that a recent stabilization in purchase prices of raw materials is beginning to generate a positive impact to time-orient changes in the Company's gross profit margin. According to the Company, there is a part where higher purchase prices of raw materials have been fully passed onto selling prices to date, while it appears that the passalong has almost "failed to be achieved" to date, generally speaking. For FY02/2024, the Company will focus on the passalong with respect to the latter for the sake of improving gross profit margin as a whole.

For the actual results of FY02/2023, the Company saw selling prices higher by 13.5% from the previous year, including the impact of yen's depreciation, while going for selling prices higher by 6% to 7% for FY02/2024, in spite of assuming yen to be rather appreciated.

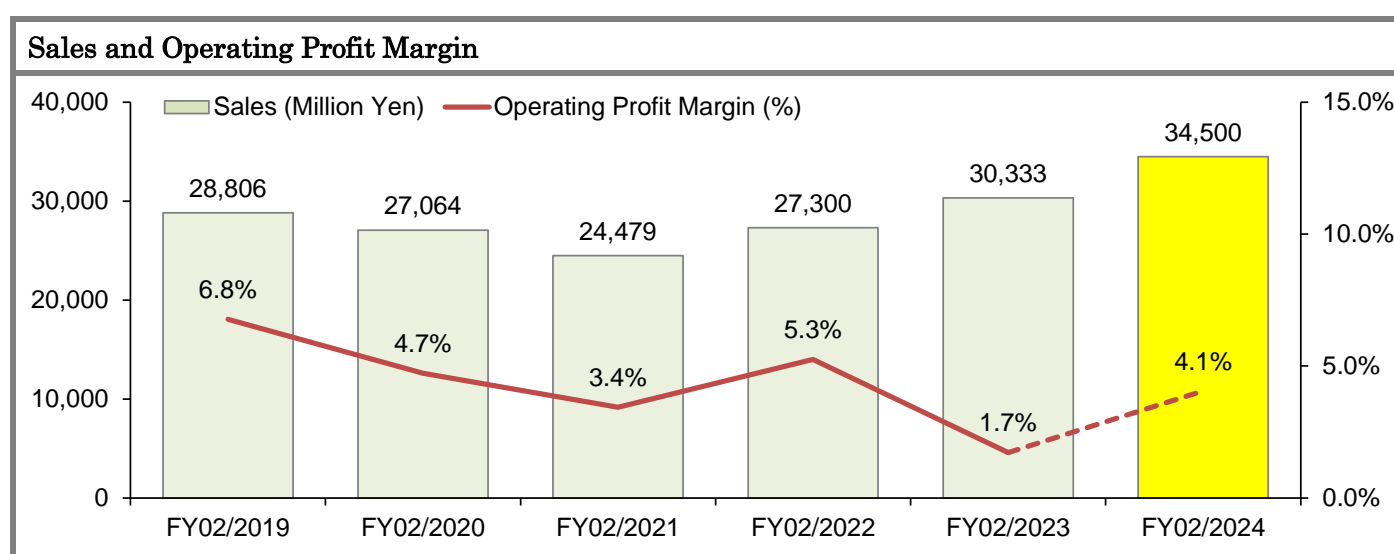
Company History (extract)

Date	Events
October 1958	Founded by spinoff of laboratory in MATSUMURA OIL CO., LTD.
December 1959	Nishinomiya head office and factory constructed to productize functional fluids (e.g., vacuum pump oils) and synthetic lubricants
March 1962	Productized water-glycol fireproof fluids
December 1965	Chiba factory constructed to mass-produce liquid paraffins and petroleum sulfonates
September 1986	Akoh factory constructed to mass-produce hot melt adhesives
November 1990	Akoh factory phase two construction completed to set up production line for lubricants
June 1995	MORESCO (Thailand) CO., Ltd., established in Chonburi, Thailand
January 2001	Head office and R&D center relocated to Chuo-ku, Kobe-city
March 2001	Wuxi MoreTex Technology Co., Ltd. (joint company with a company based in Taiwan), established in Wuxi, China
November 2001	MORESCO Honmachi Building, constructed in chuo-ku, Osaka-city to relocate Osaka branch
March 2001	Phase three construction in Akoh factory to relocate facilities represented by those of distilling lubricants from Nishinomiya factory
February 2003	MORESCO Holding (Thailand) Co., Ltd., established in Chonburi, Thailand.
November 2003	Shares registered on the over-the-counter market of Japan Securities Dealers Association (JDSA)
December 2004	Shares listed on JASDAQ market, making a cancellation for the JDSA registration
May 2006	MORESCO USA Inc., established in Michigan, United States
July 2008	Shares listed on Tokyo Stock Exchange 2nd section
May 2009	WUXI MORESCO TRADING CO., LTD., established in Wuxi, China
August 2009	Acquired business related to die casting lubrications from Hanano Co., Ltd.
September 2009	Company name changed from MATSUMURA OIL RESERCH CORP. to MORESCO Corporation
February 2010	MORESCO HANANO DIE-CASTING COATING (SHANGHAI), consolidated as subsidiary
February 2011	Shares listed on Tokyo Stock Exchange 1st section
June 2011	PT. MORESCO INDONESIA, established in Karawang, Indonesia
January 2012	PT. MORESCO MACRO ADHESIVE, established in Jakarta, Indonesia
August 2013	Acquired business related to die-casting fluids and forging lubricants from NICCA CHEMICAL CO., LTD.
March 2014	TIANJIN MORESCO TECHNOLOGY CO., LTD., established in Tianjin, China
February 2017	MORESCO HM&LUB INDIA PRIVATE LIMITED, established in India
April 2021	Sale of MORESCO Honmachi Building
March 2022	MORESCO (ZHEJIANG) FUNCTION MATERIAL CO., LTD., established in Haining, China
April 2022	Listing of shares, transitioned to Tokyo Stock Exchange Prime Market

4.0 Recent Trading and Prospects

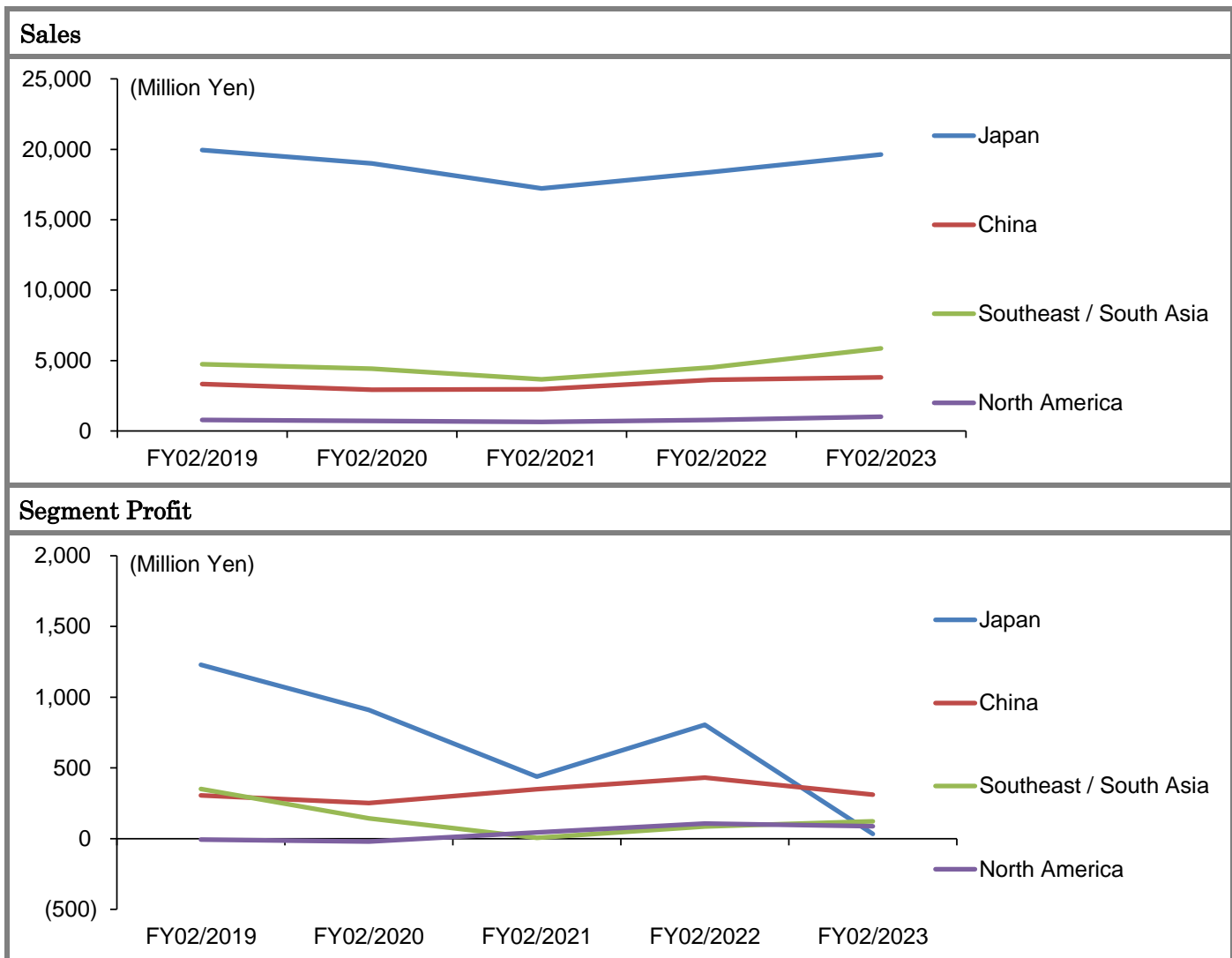
FY02/2023

For FY02/2023, sales came in at ¥30,333m (up 11.1% YoY), operating profit ¥523m (down 63.5%), recurring profit ¥1,046m (down 48.0%) and profit attributable to owners of parent ¥615m (down 66.0%). At the extraordinary level, extraordinary gain of ¥833m from sale of MORESCO Honmachi Building, which was recorded for FY02/2022, did not reappear, having pushed down profit attributable to owners of parent to a corresponding extent. Meanwhile, gross profit came in at ¥8,129m (down 6.8%) and SG&A expenses ¥7,606m (up 4.3%), implying gross profit margin of 26.8% (down 5.2% points) and SG&A ratio of 25.1% (down 1.6% points), having resulted in operating profit margin of 1.7% (down 3.5% points). For FY02/2024, Company forecasts are going for prospective sales of ¥34,500m (up 13.7%), operating profit of ¥1,400m (up 167.7%) and operating profit margin of 4.1% (up 2.3% points).



Source: Company Data, WRJ Calculation

For the actual results of FY02/2023, the Company saw sales volume of its products declined by 2.1% from FY02/2022, while selling prices rose by 13.5%. In Southeast / South Asia (Thailand, Indonesia and India), sales volume has risen by more than 10%, while sales volume has marginally declined across the board in Japan, China and North America. By business division, the Company has suffered from sluggish volume on the mainstay Functional Fluids side (mainly applied in autos) and this appears to have generated a major negative impact on the Company's performance. On the other hand, the Company saw a substantial increase in selling prices of its products due to adjustments driven by higher purchase prices of raw materials and yen's depreciation. However, gross profit margin has declined consistently by Q4 for FY02/2023, due to problems associated with requirement of time lag, etc. In particular, the Company has suffered from a significant adjustment of earnings in Japan.

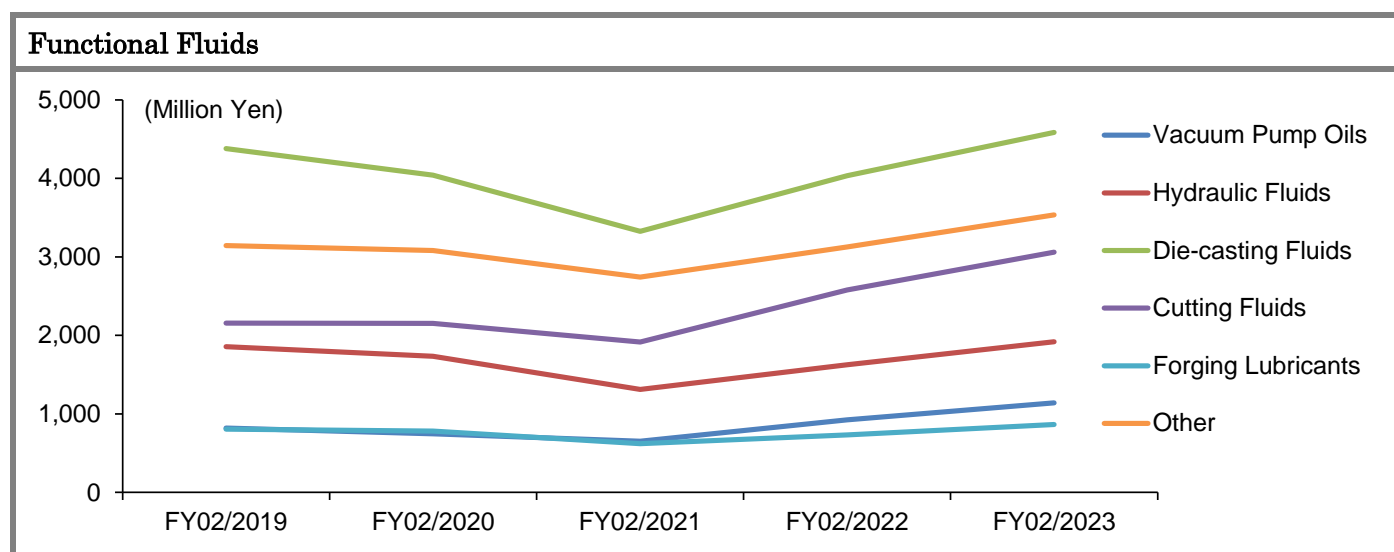


Source: Company Data, WRJ Calculation

On the other hand, the Company is going for an increase by 6% to 7% in prospective sales volume of its products for FY02/2024 from FY02/2023 and a rise by also 6% to 7% for selling prices at the same time. With respect to an increase in sales volume, the Company is looking to a benefit from its measures to aggressively capture demand to be generated by increased production volume of autos on the Functional Fluids side (mainly applied in autos). Furthermore, the Company is also looking to a contribution to sales volume, stemming from its measures to horizontally expand applications on the Hot Melt Adhesives side (mainly applied in hygiene materials). At the same time, it appears that a trend of stabilization in purchase prices of raw materials is expected to bring forth a major contribution to profitability. In other words, this is expected to gradually resolve problems associated with a time lag, etc., going forward.

Functional Fluids (49.8% of sales)

For FY02/2023, sales came in at ¥15,105m (up 16.0%), while Company forecasts are going for prospective sales of ¥17,200m (up 13.9%) for FY02/2024. By the way, for the actual results of FY02/2023, sales volume declined by 1.0% and selling prices rose by 17.1% on the Functional Fluids side.

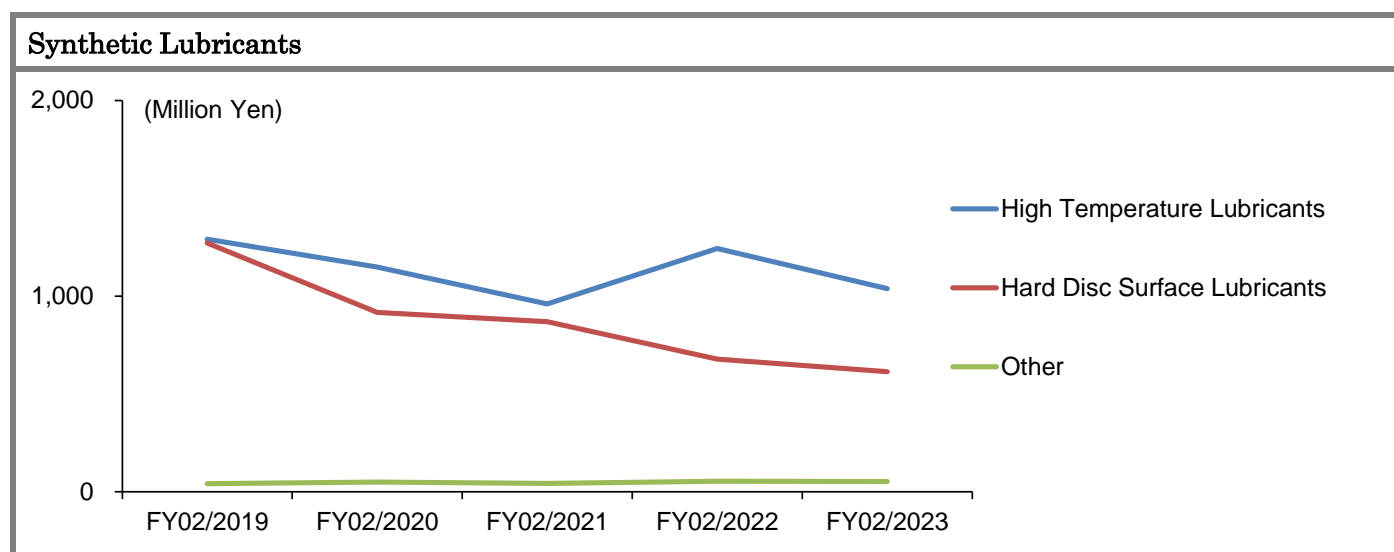


Source: Company Data

With respect to hydraulic fluids, die-casting fluids (die-casting lubricants and plunger lubricants), cutting fluids and forging lubricants, the Company is basically exposed to autos by application and demand for all those products principally hinges on production volume of autos and thus sales on the Functional Fluids side as an underlying trend. For FY02/2024, the Company is looking to a contribution from the increase in the production volume of autos as well as looking to a benefit from fast-growing demand for minimum-quantity-spray-type die-casting lubricants, which are environmentally friendly, in Japan and overseas. On top of this, the Company has revealed its measures to focus on development of new products to well cope with needs from so-called new energy vehicles.

Synthetic Lubricants (5.6% of sales)

For FY02/2023, sales came in at ¥1,703m (down 13.7%), while Company forecasts are going for prospective sales of ¥1,730m (up 1.6%) for FY02/2024. By the way, for the actual results of FY02/2023, sales volume declined by 25.1% and selling prices rose by 15.2% on the Synthetic Lubricants side.

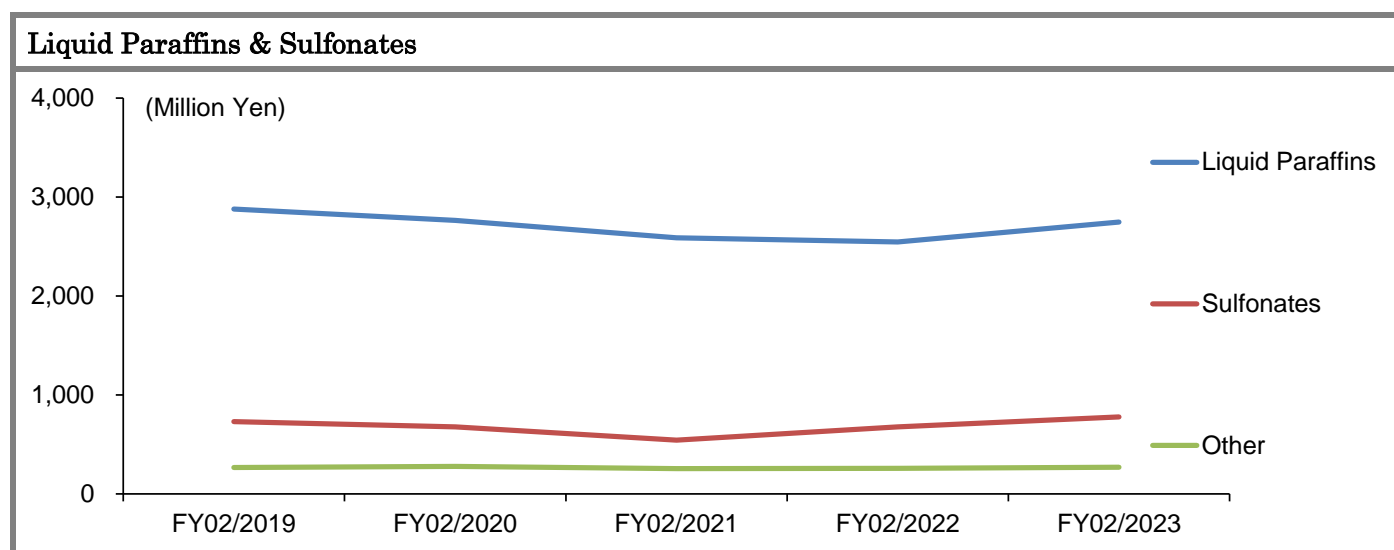


Source: Company Data

For both of high temperature lubricants and hard disc surface lubricants, sales volume has declined. With respect to high temperature lubricants, there is a negative impact of stock adjustments at customers, according to the Company. For the actual results of FY02/2022, the Company states that its customers had been building up inventory in response to the supply chain disruption caused by Corona disaster, which was followed by a major back action from here for FY02/2023. Still, the Company is going for a case that the impact of inventory adjustments is to run its course for H2 FY02/2024. Meanwhile, sales of hard disc surface lubricants have been consistently declining. For the actual results of FY02/2023, the Company states that it has suffered from a slowdown in data center investment, while going for a recovery in demand to begin for H2 FY02/2024.

Liquid Paraffins & Sulfonates (12.5% of sales)

For FY02/2023, sales came in at ¥3,793m (up 9.0%), while Company forecasts are going for prospective sales of ¥4,400m (up 16.0%) for FY02/2024. By the way, for the actual results of FY02/2023, sales volume declined by 9.3% and selling prices rose by 20.2% on the Liquid Paraffins & Sulfonates side.

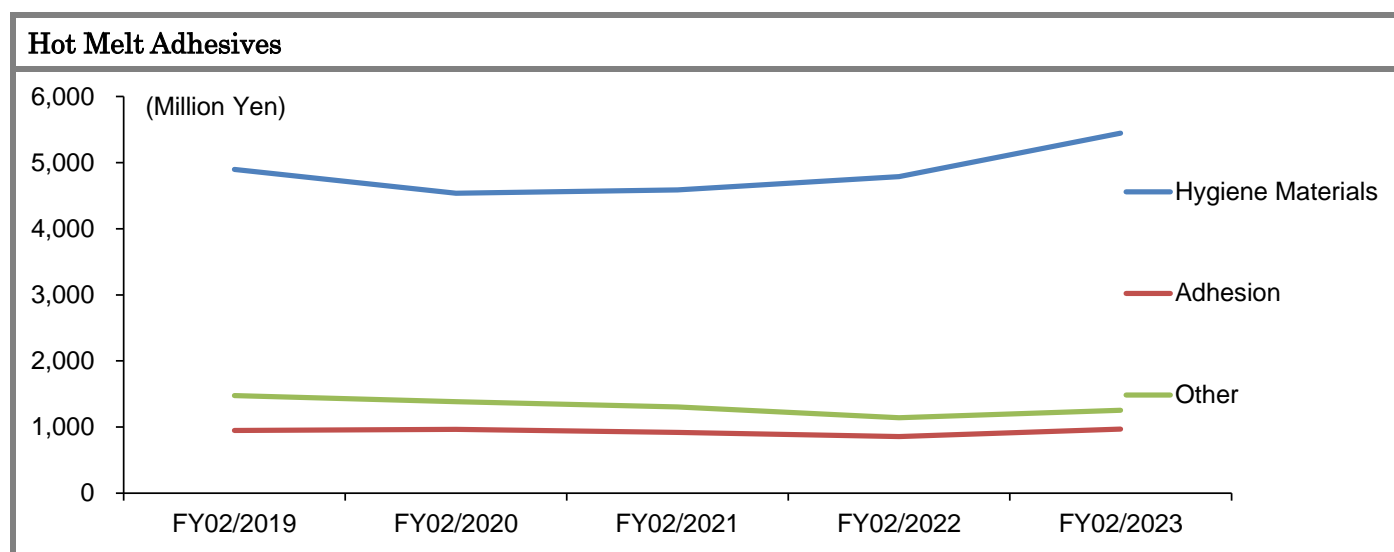


Source: Company Data

Sales volume of the mainstay liquid paraffins has declined. According to the Company, this is basically attributable to an impact of periodic repairs (inspections and repairs of facilities for a set period of time) having had been going on at the factory of a major customer adopting the products as polystyrene plasticizers. Meanwhile, sales volume of sulfonates, mainly adopted as additives for metal processing, has also declined. It appears that the impact of slowing demand from a major customer based in Japan has a lot to do with the declining sales volume here. Meanwhile, the Company is going for a recovery in demand associated with polystyrene plasticizers for FY02/2024.

Hot Melt Adhesives (25.3% of sales)

For FY02/2023, sales came in at ¥7,664m (up 13.0%), while Company forecasts are going for prospective sales of ¥8,600m (up 12.2%) for FY02/2024. By the way, for the actual results of FY02/2023, sales volume increased by 3.3% and selling prices rose by 9.4% on the Hot Melt Adhesives side.



Source: Company Data

In Southeast / South Asia (Thailand, Indonesia and India), sales volume has increased by more than 20%, while sales volume in China declined by nearly 30%. For the mainstay hygiene materials or applications basically in disposable diapers, sales volume has risen by more than 10% in Indonesia and by as much as some 2.5 times in India. Still, there is an aspect that declining sales volume in China has a negative impact to sales volume, having resulted in a limited increase in sales volume on the Hot Melt Adhesives side as a whole. In China, the Company states that a major customer for filter applications has been undergoing a prolonged production adjustments due to a decline in final demand. Meanwhile, for FY02/2024, the Company is going for a further-increasing demand in Southeast / South Asia (Thailand, Indonesia and India). At the same time, for hygiene materials or applications basically in disposable diapers, the Company is looking to a contribution to sales volume stemming from its measures to horizontally adopt expertise to manufacture products associated with the mainstay disposable diapers to the manufacture of new products in a related domain.

Energy Device Materials (0.7% of sales)

For FY02/2023, sales came in at ¥209m (down 11.8%), while Company forecasts are going for prospective sales of ¥350m (up 67.5%) for FY02/2024. According to the Company, prospective sales are to surge in line with the Company's measures to accelerate developments overseas for encapsulants for organic EL.

FY02/2023 Company Forecasts and Actual Results

Consolidated Fiscal Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
FY02/2023CoE	12-Apr-22	Q4 Results	30,500	1,850	2,200	1,300
FY02/2023CoE	13-Jul-22	Q1 Results	30,500	1,850	2,200	1,300
FY02/2023CoE	13-Oct-22	Q2 Results	31,500	1,110	1,700	1,000
		Amount of Gap	1,000	(740)	(500)	(300)
		Rate of Gap	3.3%	(40.0%)	(22.7%)	(23.1%)
FY02/2023CoE	13-Jan-23	Q3 Results	31,500	1,110	1,700	1,000
FY02/2023CoE	22-Feb-23	Revision	30,500	500	1,000	480
		Amount of Gap	(1,000)	(610)	(700)	(520)
		Rate of Gap	(3.2%)	(55.0%)	(41.2%)	(52.0%)
FY02/2023Act	11-Apr-23	Q4 Results	30,333	523	1,046	615
		Amount of Gap	(167)	23	46	135
		Rate of Gap	(0.5%)	4.6%	4.6%	28.1%
FY02/2023CoE	12-Apr-22	Q4 Results	30,500	1,850	2,200	1,300
FY02/2023Act	11-Apr-23	Q4 Results	30,333	523	1,046	615
		Amount of Gap	(167)	(1,327)	(1,154)	(685)
		Rate of Gap	(0.5%)	(71.7%)	(52.5%)	(52.7%)
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q1 to Q2 FY02/2023CoE	12-Apr-22	Q4 Results	-	-	-	-
Q1 to Q2 FY02/2023CoE	13-Jul-22	Q1 Results	-	-	-	-
Q1 to Q2 FY02/2023Act	13-Oct-22	Q2 Results	14,523	295	846	504
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Q1 to Q2 FY02/2023CoE	12-Apr-22	Q4 Results	-	-	-	-
Q1 to Q2 FY02/2023Act	13-Oct-22	Q2 Results	14,523	295	846	504
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q3 to Q4 FY02/2023CoE	12-Apr-22	Q4 Results	-	-	-	-
Q3 to Q4 FY02/2023CoE	13-Jul-22	Q1 Results	-	-	-	-
Q3 to Q4 FY02/2023CoE	13-Oct-22	Q2 Results	16,977	815	854	496
Q3 to Q4 FY02/2023CoE	13-Jan-23	Q3 Results	16,977	815	854	496
Q3 to Q4 FY02/2023CoE	22-Feb-23	Revision	15,977	205	154	(24)
		Amount of Gap	(1,000)	(610)	(700)	(520)
		Rate of Gap	(5.9%)	(74.8%)	(82.0%)	-
Q3 to Q4 FY02/2023Act	11-Apr-23	Q4 Results	15,810	228	200	111
		Amount of Gap	(167)	23	46	135
		Rate of Gap	(1.0%)	11.2%	29.9%	-
Q3 to Q4 FY02/2023CoE	13-Oct-22	Q2 Results	16,977	815	854	496
Q3 to Q4 FY02/2023Act	11-Apr-23	Q4 Results	15,810	228	200	111
		Amount of Gap	(1,167)	(587)	(654)	(385)
		Rate of Gap	(6.9%)	(72.0%)	(76.6%)	(77.6%)

Source: Company Data, WRJ Calculation

Income Statement (Cumulative / Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
(Million Yen)	02/2022	02/2022	02/2022	02/2022	02/2023	02/2023	02/2023	02/2023	02/2023	Net Chg.
Sales	6,656	13,366	20,415	27,300	7,050	14,523	22,479	30,333		+3,033
Cost of Sales	4,332	8,822	13,643	18,575	4,997	10,484	16,291	22,204		+3,629
Gross Profit	2,324	4,544	6,772	8,725	2,053	4,039	6,188	8,129		(596)
SG&A Expenses	1,805	3,621	5,397	7,291	1,852	3,744	5,677	7,606		+315
Operating Profit	520	923	1,375	1,434	201	295	511	523		(911)
Non-Operating Balance	201	240	357	577	270	551	633	523		(54)
Recurring Profit	721	1,163	1,732	2,011	471	846	1,144	1,046		(965)
Extraordinary Balance	833	833	833	833	-	-	-	-		(833)
Profit before Income Taxes	1,555	1,996	2,565	2,844	471	846	1,144	1,046		(1,798)
Total Income Taxes	379	527	685	831	116	286	347	320		(511)
Profit Attributable to Non-Controlling Interests	81	110	150	205	38	56	78	112		(93)
Profit Attributable to Owners of Parent	1,095	1,359	1,730	1,808	317	504	719	615		(1,193)
Sales YoY	+13.1%	+17.8%	+13.6%	+11.5%	+5.9%	+8.7%	+10.1%	+11.1%		-
Operating Profit YoY	+265.0%	+820.0%	+114.5%	+70.3%	(61.4%)	(68.0%)	(62.8%)	(63.5%)		-
Recurring Profit YoY	-	-	+164.0%	+95.3%	(34.7%)	(27.3%)	(34.0%)	(48.0%)		-
Profit Attributable to Owners of Parent YoY	-	-	+471.0%	+249.1%	(71.0%)	(62.9%)	(58.5%)	(66.0%)		-
Gross Profit Margin	34.9%	34.0%	33.2%	32.0%	29.1%	27.8%	27.5%	26.8%		(5.2%)
SG&A Ratio	27.1%	27.1%	26.4%	26.7%	26.3%	25.8%	25.3%	25.1%		(1.6%)
Operating Profit Margin	7.8%	6.9%	6.7%	5.3%	2.9%	2.0%	2.3%	1.7%		(3.5%)
Recurring Profit Margin	10.8%	8.7%	8.5%	7.4%	6.7%	5.8%	5.1%	3.4%		(3.9%)
Profit Attributable to Owners of Parent Margin	16.5%	10.2%	8.5%	6.6%	4.5%	3.5%	3.2%	2.0%		(4.6%)
Total Income Taxes / Profit before Income Taxes	24.4%	26.4%	26.7%	29.2%	24.6%	33.8%	30.3%	30.6%		+1.4%
Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
(Million Yen)	02/2022	02/2022	02/2022	02/2022	02/2023	02/2023	02/2023	02/2023	02/2023	Net Chg.
Sales	6,656	6,710	7,049	6,885	7,050	7,473	7,956	7,854		+969
Cost of Sales	4,332	4,490	4,821	4,932	4,997	5,487	5,807	5,913		+981
Gross Profit	2,324	2,220	2,228	1,953	2,053	1,986	2,149	1,941		(12)
SG&A Expenses	1,805	1,816	1,776	1,894	1,852	1,892	1,933	1,929		+35
Operating Profit	520	403	452	59	201	94	216	12		(47)
Non-Operating Balance	201	39	117	220	270	281	82	(110)		(330)
Recurring Profit	721	442	569	279	471	375	298	(98)		(377)
Extraordinary Balance	833	-	-	-	-	-	-	-		-
Profit before Income Taxes	1,555	441	569	279	471	375	298	(98)		(377)
Total Income Taxes	379	148	158	146	116	170	61	(27)		(173)
Profit Attributable to Non-Controlling Interests	81	29	40	55	38	18	22	34		(21)
Profit Attributable to Owners of Parent	1,095	264	371	78	317	187	215	(104)		(182)
Sales YoY	+13.1%	+22.8%	+6.5%	+5.7%	+5.9%	+11.4%	+12.9%	+14.1%		-
Operating Profit YoY	+265.0%	-	(16.5%)	(70.6%)	(61.4%)	(76.7%)	(52.2%)	(79.7%)		-
Recurring Profit YoY	-	-	(4.8%)	(25.4%)	(34.7%)	(15.2%)	(47.6%)	-		-
Profit Attributable to Owners of Parent YoY	-	-	(5.6%)	(63.7%)	(71.0%)	(29.2%)	(42.0%)	-		-
Gross Profit Margin	34.9%	33.1%	31.6%	28.4%	29.1%	26.6%	27.0%	24.7%		(3.7%)
SG&A Ratio	27.1%	27.1%	25.2%	27.5%	26.3%	25.3%	24.3%	24.6%		(2.9%)
Operating Profit Margin	7.8%	6.0%	6.4%	0.9%	2.9%	1.3%	2.7%	0.2%		(0.7%)
Recurring Profit Margin	10.8%	6.6%	8.1%	4.1%	6.7%	5.0%	3.7%	(1.2%)		(5.3%)
Profit Attributable to Owners of Parent Margin	16.5%	3.9%	5.3%	1.1%	4.5%	2.5%	2.7%	(1.3%)		(2.5%)
Total Income Taxes / Profit before Income Taxes	24.4%	33.6%	27.8%	52.3%	24.6%	45.3%	20.5%	27.6%		(24.8%)

Source: Company Data, WRJ Calculation

Segmented Information (Cumulative / Quarterly)

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 02/2022	Q1 to Q2 02/2022	Q1 to Q3 02/2022	Q1 to Q4 02/2022	Q1 02/2023	Q1 to Q2 02/2023	Q1 to Q3 02/2023	Q1 to Q4 02/2023		
Japan	4,537	9,053	13,843	18,385	4,738	9,624	14,629	19,637		+1,252
China	830	1,677	2,612	3,625	854	1,737	2,813	3,814		+189
Southeast / South Asia	1,080	2,205	3,345	4,501	1,276	2,726	4,274	5,870		+1,369
North America	209	432	615	789	182	436	762	1,011		+222
Sales	6,656	13,366	20,415	27,300	7,050	14,523	22,479	30,333		+3,033
Japan	325	558	837	805	104	143	161	33		(772)
China	113	235	327	432	48	95	205	311		(121)
Southeast / South Asia	50	63	102	86	24	41	86	123		+37
North America	35	76	101	107	14	32	78	87		(20)
Segment Profit	523	932	1,367	1,431	189	311	531	553		(878)
Adjustments	(3)	(9)	7	4	11	(16)	(20)	(30)		(34)
Operating Profit	520	923	1,375	1,434	201	295	511	523		(911)
Japan	7.2%	6.2%	6.0%	4.4%	2.2%	1.5%	1.1%	0.2%		(4.2%)
China	13.6%	14.0%	12.5%	11.9%	5.6%	5.5%	7.3%	8.2%		(3.8%)
Southeast / South Asia	4.6%	2.9%	3.0%	1.9%	1.9%	1.5%	2.0%	2.1%		+0.2%
North America	16.7%	17.6%	16.4%	13.6%	7.7%	7.3%	10.2%	8.6%		(5.0%)
Segment Profit Margin	7.9%	7.0%	6.7%	5.2%	2.7%	2.1%	2.4%	1.8%		(3.4%)
Adjustments	(0.0%)	(0.1%)	0.0%	0.0%	0.2%	(0.1%)	(0.1%)	(0.1%)		(0.1%)
Operating Profit Margin	7.8%	6.9%	6.7%	5.3%	2.9%	2.0%	2.3%	1.7%		(3.5%)

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 02/2022	Q2 02/2022	Q3 02/2022	Q4 02/2022	Q1 02/2023	Q2 02/2023	Q3 02/2023	Q4 02/2023		
Japan	4,537	4,516	4,790	4,542	4,738	4,886	5,005	5,008		+466
China	830	847	935	1,013	854	883	1,076	1,001		(12)
Southeast / South Asia	1,080	1,125	1,140	1,156	1,276	1,450	1,548	1,596		+440
North America	209	223	183	174	182	254	326	249		+75
Sales	6,656	6,710	7,049	6,885	7,050	7,473	7,956	7,854		+969
Japan	325	233	279	(32)	104	39	18	(128)		(96)
China	113	122	92	105	48	47	110	106		+1
Southeast / South Asia	50	13	39	(16)	24	17	45	37		+53
North America	35	41	25	6	14	18	46	9		+3
Segment Profit	523	409	435	64	189	122	220	22		(42)
Adjustments	(3)	(6)	16	(3)	11	(27)	(4)	(10)		(7)
Operating Profit	520	403	452	59	201	94	216	12		(47)
Japan	7.2%	5.2%	5.8%	(0.7%)	2.2%	0.8%	0.4%	(2.6%)		(1.9%)
China	13.6%	14.4%	9.8%	10.4%	5.6%	5.3%	10.2%	10.6%		+0.2%
Southeast / South Asia	4.6%	1.2%	3.4%	(1.4%)	1.9%	1.2%	2.9%	2.3%		+3.7%
North America	16.7%	18.4%	13.7%	3.4%	7.7%	7.1%	14.1%	3.6%		+0.2%
Segment Profit Margin	7.9%	6.1%	6.2%	0.9%	2.7%	1.6%	2.8%	0.3%		(0.6%)
Adjustments	(0.0%)	(0.1%)	0.2%	(0.0%)	0.2%	(0.4%)	(0.1%)	(0.1%)		(0.1%)
Operating Profit Margin	7.8%	6.0%	6.4%	0.9%	2.9%	1.3%	2.7%	0.2%		(0.7%)

Source: Company Data, WRJ Calculation

Sales by Business Division (Cumulative / Quarterly)

Sales by Business Division	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	02/2022	02/2022	02/2022	02/2022	02/2023	02/2023	02/2023	02/2023	02/2023	
Functional Fluids	3,083	6,341	9,687	13,021	3,420	7,027	11,081	15,105		+2,084
Synthetic Lubricants	503	1,033	1,529	1,974	502	991	1,381	1,703		(271)
Liquid Paraffins & Sulfonates	807	1,672	2,579	3,480	902	1,855	2,849	3,793		+313
Hot Melt Adhesives	1,671	3,325	5,086	6,785	1,809	3,754	5,801	7,664		+879
Energy Device Materials	57	128	198	237	45	84	128	209		(28)
Other	528	859	1,328	1,794	372	812	1,239	1,859		+65
Chemical Business	6,648	13,358	20,407	27,292	7,050	14,523	22,479	30,333		+3,041
Rental Building Business	8	8	8	8	-	-	-	-		(8)
Sales	6,656	13,366	20,415	27,300	7,050	14,523	22,479	30,333		+3,033
Functional Fluids	+25.1%	+36.5%	+27.2%	+23.2%	+10.9%	+10.8%	+14.4%	+16.0%		-
Synthetic Lubricants	(4.3%)	+12.6%	+7.0%	+5.5%	(0.1%)	(4.1%)	(9.7%)	(13.7%)		-
Liquid Paraffins & Sulfonates	(6.4%)	(3.9%)	+2.6%	+2.8%	+11.9%	+11.0%	+10.5%	+9.0%		-
Hot Melt Adhesives	+2.8%	+0.7%	+0.5%	(0.3%)	+8.2%	+12.9%	+14.1%	+13.0%		-
Energy Device Materials	+159.6%	+202.2%	+149.4%	+109.9%	(21.3%)	(34.5%)	(35.1%)	(11.8%)		-
Other	+41.8%	+27.3%	+7.8%	+6.6%	(29.5%)	(5.4%)	(6.7%)	+3.6%		-
Chemical Business	+13.2%	+18.0%	+13.8%	+11.7%	+5.9%	+8.7%	+10.2%	+11.1%		-
Rental Building Business	(36.7%)	(68.3%)	(78.9%)	(84.2%)	-	-	-	-		-
Sales (YoY)	+13.1%	+17.8%	+13.6%	+11.5%	+5.9%	+8.7%	+10.1%	+11.1%		-
Functional Fluids	46.3%	47.4%	47.5%	47.7%	48.5%	48.4%	49.3%	49.8%		-
Synthetic Lubricants	7.6%	7.7%	7.5%	7.2%	7.1%	6.8%	6.1%	5.6%		-
Liquid Paraffins & Sulfonates	12.1%	12.5%	12.6%	12.7%	12.8%	12.8%	12.7%	12.5%		-
Hot Melt Adhesives	25.1%	24.9%	24.9%	24.9%	25.7%	25.8%	25.8%	25.3%		-
Energy Device Materials	0.9%	1.0%	1.0%	0.9%	0.6%	0.6%	0.6%	0.7%		-
Other	7.9%	6.4%	6.5%	6.6%	5.3%	5.6%	5.5%	6.1%		-
Chemical Business	99.9%	99.9%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		-
Rental Building Business	0.1%	0.1%	0.0%	0.0%	-	-	-	-		-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		-
Sales by Business Division	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	02/2022	02/2022	02/2022	02/2022	02/2023	02/2023	02/2023	02/2023	02/2023	
Functional Fluids	3,083	3,258	3,346	3,334	3,420	3,607	4,054	4,024		+690
Synthetic Lubricants	503	530	496	445	502	489	390	322		(123)
Liquid Paraffins & Sulfonates	807	865	907	901	902	953	994	944		+43
Hot Melt Adhesives	1,671	1,654	1,761	1,699	1,809	1,945	2,047	1,863		+164
Energy Device Materials	57	71	70	39	45	39	44	81		+42
Other	528	331	469	466	372	440	427	620		+154
Chemical Business	6,648	6,710	7,049	6,885	7,050	7,473	7,956	7,854		+969
Rental Building Business	8	-	-	-	-	-	-	-		-
Sales	6,656	6,710	7,049	6,885	7,050	7,473	7,956	7,854		+969
Functional Fluids	+25.1%	+49.2%	+12.7%	+13.1%	+10.9%	+10.7%	+21.2%	+20.7%		-
Synthetic Lubricants	(4.3%)	+35.2%	(2.9%)	+0.2%	(0.1%)	(7.7%)	(21.4%)	(27.6%)		-
Liquid Paraffins & Sulfonates	(6.4%)	(1.4%)	+17.0%	+3.4%	+11.9%	+10.2%	+9.6%	+4.8%		-
Hot Melt Adhesives	+2.8%	(1.3%)	+0.2%	(2.9%)	+8.2%	+17.6%	+16.2%	+9.7%		-
Energy Device Materials	+159.6%	+255.0%	+89.2%	+14.7%	(21.3%)	(45.1%)	(37.1%)	+107.7%		-
Other	+41.8%	+9.2%	(15.8%)	+3.6%	(29.5%)	+32.9%	(9.0%)	+33.0%		-
Chemical Business	+13.2%	+23.1%	+6.7%	+6.0%	+5.9%	+11.4%	+12.9%	+14.1%		-
Rental Building Business	(36.7%)	-	-	-	-	-	-	-		-
Sales (YoY)	+13.1%	+22.8%	+6.5%	+5.7%	+5.9%	+11.4%	+12.9%	+14.1%		-
Functional Fluids	46.3%	48.6%	47.5%	48.4%	48.5%	48.3%	51.0%	51.2%		-
Synthetic Lubricants	7.6%	7.9%	7.0%	6.5%	7.1%	6.5%	4.9%	4.1%		-
Liquid Paraffins & Sulfonates	12.1%	12.9%	12.9%	13.1%	12.8%	12.8%	12.5%	12.0%		-
Hot Melt Adhesives	25.1%	24.6%	25.0%	24.7%	25.7%	26.0%	25.7%	23.7%		-
Energy Device Materials	0.9%	1.1%	1.0%	0.6%	0.6%	0.5%	0.6%	1.0%		-
Other	7.9%	4.9%	6.7%	6.8%	5.3%	5.9%	5.4%	7.9%		-
Chemical Business	99.9%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		-
Rental Building Business	0.1%	-	-	-	-	-	-	-		-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		-

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 02/2022	Q2 02/2022	Q3 02/2022	Q4 02/2022	Q1 02/2023	Q2 02/2023	Q3 02/2023	Q4 02/2023		
Cash and Deposit	4,521	3,988	4,090	4,001	3,812	4,166	4,172	4,256	+255	
Accounts Receivables	6,479	6,337	6,800	6,844	7,046	7,524	7,831	7,595	+751	
Inventory	4,665	4,869	5,043	5,326	5,727	6,102	6,311	6,306	+980	
Other	545	413	343	436	580	493	614	653	+217	
Current Assets	16,210	15,607	16,276	16,607	17,165	18,285	18,928	18,810	+2,203	
Tangible Assets	7,811	7,842	7,954	8,304	8,330	8,395	8,537	8,610	+306	
Intangible Assets	742	706	672	633	614	649	643	589	(44)	
Investments and Other Assets	3,238	3,182	3,320	3,465	3,583	3,764	3,820	4,002	+537	
Fixed Assets	11,791	11,730	11,947	12,401	12,527	12,808	13,001	13,202	+801	
Deferred Assets	-	-	-	-	-	-	-	6	+6	
Total Assets	28,001	27,337	28,223	29,008	29,691	31,092	31,929	32,017	+3,009	
Accounts Payables	3,925	3,762	4,151	4,308	4,419	4,926	5,173	5,144	+836	
Short-Term Debt	1,119	566	553	560	857	1,546	1,549	2,381	+1,821	
Other	2,223	2,065	2,453	2,392	2,052	1,611	2,245	2,074	(318)	
Current Liabilities	7,267	6,393	7,157	7,260	7,328	8,083	8,967	9,599	+2,339	
Long-Term Debt	660	545	430	350	457	382	307	472	+122	
Other	568	587	590	847	785	910	834	707	(140)	
Fixed Liabilities	1,228	1,132	1,020	1,197	1,242	1,292	1,141	1,179	(18)	
Total Liabilities	8,495	7,525	8,178	8,457	8,570	9,375	10,108	10,778	+2,321	
Shareholders' Equity	16,697	16,966	17,150	17,227	17,357	17,361	17,392	17,287	+60	
Other	2,809	2,846	2,896	3,324	3,764	4,356	4,428	3,953	+629	
Net Assets	19,506	19,812	20,046	20,551	21,121	21,717	21,820	21,240	+689	
Total Liabilities & Net Assets	28,001	27,337	28,223	29,008	29,691	31,092	31,929	32,017	+3,009	
Equity Capital	17,096	17,381	17,586	17,962	18,492	18,945	19,016	18,533	+571	
Interest Bearing Debt	1,779	1,111	983	910	1,314	1,928	1,856	2,853	+1,943	
Net Debt	(2,742)	(2,877)	(3,107)	(3,091)	(2,498)	(2,238)	(2,316)	(1,403)	+1,688	
Equity Ratio	61.1%	63.6%	62.3%	61.9%	62.3%	60.9%	59.6%	57.9%	-	
Net Debt Equity Ratio	(16.0%)	(16.6%)	(17.7%)	(17.2%)	(13.5%)	(11.8%)	(12.2%)	(7.6%)	-	
ROE (12 months)	10.0%	12.0%	11.7%	10.7%	5.8%	5.2%	4.4%	3.4%	-	
ROA (12 months)	6.2%	7.9%	7.7%	7.1%	6.1%	5.8%	4.7%	3.4%	-	
Days for Inventory Turnover	98	98	95	98	104	101	99	97	-	
Quick Ratio	151%	162%	152%	149%	148%	145%	134%	123%	-	
Current Ratio	223%	244%	227%	229%	234%	226%	211%	196%	-	

Source: Company Data, WRJ Calculation

Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 02/2022	Q1 to Q2 02/2022	Q1 to Q3 02/2022	Q1 to Q4 02/2022	Q1 02/2023	Q1 to Q2 02/2023	Q1 to Q3 02/2023	Q1 to Q4 02/2023		
Operating Cash Flow	-	1,327	-	2,333	-	535	-	515	(1,818)	
Investing Cash Flow	-	1,043	-	603	-	(718)	-	(1,172)	(1,775)	
Operating Cash Flow and Investing Cash Flow	-	2,370	-	2,936	-	(183)	-	(657)	(3,593)	
Financing Cash Flow	-	(2,504)	-	(2,937)	-	487	-	1,227	+4,164	

Source: Company Data, WRJ Calculation

FY02/2024 Company Forecasts

FY02/2024 Company forecasts (announced on 11 April 2023) are going for prospective sales of ¥34,500m (up 13.7% YoY), operating profit of ¥1,400m (up 167.7%), recurring profit of ¥1,600m (up 53.0%) and profit attributable to owners of parent of ¥700m (up 13.9%), while operating profit margin of 4.1% (up 2.3% points). At the same time, Company forecasts are going for planned annual dividend of ¥45.00 per share, implying payout ratio of 59.3%. With respect to common dividend, Company forecasts are going for ¥40.00, unchanged from FY02/2023, while adding commemorative dividend of ¥5.00 (for the 65th anniversary of foundation in October 2023) on top of this for FY02/2024.

Long-Term Prospects

MORESCO 9th Midterm Management Plan (FY02/2022 to FY02/2024), most lately revised on 22 February 2023, is going for prospective sales of ¥34,500m, operating profit of ¥1,400m and operating profit margin of 4.1% as performance target for FY02/2024, the final year of the plan. In other words, the above-mentioned FY02/2024 Company forecasts are in line with this performance target, while it appears that the Company is planning to formulate and announce the MORESCO 10th Midterm Management Plan (FY02/2025 to FY02/2027) in light of recent trading after the beginning of FY02/2024.

This report has referred to the Company's measures on the main themes for growth from a long-term perspective, raised in MORESCO 9th Midterm Management Plan (FY02/2022 to FY02/2024), represented by "New Product Development for New Energy Vehicles", while the Company also refers to "Recycling System for Fire-resistant Hydraulic Fluids / Dr. HYDOL, an Immediate Analyzer for Flame-Retardant", "Concentration of Liquid Fertilizers with MATSUKEN CO., LTD.'s membrane treatment equipment", "R&D System for Solving Social Issues", "OPV - Contribution to Solar Power Generation in Urban Areas", "Development Progress in the Life Science Field", "Generation of Petrochemical Materials from Biomass", "Progress of New Factory in China" and "Efforts for Decarbonization" as the themes at the same time.

5.0 Financial Statements

Income Statement

Income Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024	Net Chg.
Sales	28,806	27,064	24,479	27,300	30,333	34,500	+4,167
Cost of Sales	19,487	18,330	16,640	18,575	22,204	-	-
Gross Profit	9,319	8,734	7,838	8,725	8,129	-	-
SG&A Expenses	7,369	7,456	6,996	7,291	7,606	-	-
Operating Profit	1,950	1,279	842	1,434	523	1,400	+877
Non-Operating Balance	252	289	188	577	523	200	(323)
Recurring Profit	2,202	1,568	1,030	2,011	1,046	1,600	+554
Extraordinary Balance	76	-	(119)	833	-	-	-
Profit before Income Taxes	2,278	1,568	911	2,844	1,046	-	-
Total Income Taxes	576	540	240	831	320	-	-
Profit Attributable to Non-Controlling Interests	264	251	153	205	112	-	-
Profit Attributable to Owners of Parent	1,438	776	518	1,808	615	700	+85
Sales YoY	+3.2%	(6.0%)	(9.6%)	+11.5%	+11.1%	+13.7%	-
Operating Profit YoY	(16.3%)	(34.4%)	(34.1%)	+70.3%	(63.5%)	+167.7%	-
Recurring Profit YoY	(15.3%)	(28.8%)	(34.3%)	+95.3%	(48.0%)	+53.0%	-
Profit Attributable to Owners of Parent YoY	(11.4%)	(46.0%)	(33.3%)	+249.1%	(66.0%)	+13.9%	-
Gross Profit Margin	32.4%	32.3%	32.0%	32.0%	26.8%	-	-
SG&A Ratio	25.6%	27.5%	28.6%	26.7%	25.1%	-	-
Operating Profit Margin	6.8%	4.7%	3.4%	5.3%	1.7%	4.1%	+2.3%
Recurring Profit Margin	7.6%	5.8%	4.2%	7.4%	3.4%	4.6%	+1.2%
Profit Attributable to Owners of Parent Margin	5.0%	2.9%	2.1%	6.6%	2.0%	2.0%	+0.0%
Total Income Taxes / Profit before Income Taxes	25.3%	34.4%	26.3%	29.2%	30.6%	-	-

Source: Company Data, WRJ Calculation

Segmented Information

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024	Net Chg.
Japan	19,944	19,005	17,220	18,385	19,637	-	-
China	3,335	2,919	2,957	3,625	3,814	-	-
Southeast / South Asia	4,740	4,427	3,671	4,501	5,870	-	-
North America	786	713	631	789	1,011	-	-
Sales	28,806	27,064	24,479	27,300	30,333	34,500	+4,167
Japan	1,229	909	438	805	33	-	-
China	305	251	350	432	311	-	-
Southeast / South Asia	351	143	6	86	123	-	-
North America	(6)	(21)	43	107	87	-	-
Segment Profit	1,878	1,283	837	1,431	553	-	-
Adjustments	72	(4)	5	4	(30)	-	-
Operating Profit	1,950	1,279	842	1,434	523	1,400	+877
Japan	6.2%	4.8%	2.5%	4.4%	0.2%	-	-
China	9.1%	8.6%	11.8%	11.9%	8.2%	-	-
Southeast / South Asia	7.4%	3.2%	0.2%	1.9%	2.1%	-	-
North America	(0.8%)	(2.9%)	6.8%	13.6%	8.6%	-	-
Segment Profit Margin	6.5%	4.7%	3.4%	5.2%	1.8%	-	-
Adjustments	0.2%	(0.0%)	0.0%	0.0%	(0.1%)	-	-
Operating Profit Margin	6.8%	4.7%	3.4%	5.3%	1.7%	4.1%	+2.3%

Source: Company Data, WRJ Calculation

Sales by Business Division

Sales by Business Division	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
(Million Yen)	FY	FY	FY	FY	FY	FY	YoY
	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024	Net Chg.
Functional Fluids	13,158	12,540	10,566	13,021	15,105	17,200	+2,095
Synthetic Lubricants	2,602	2,115	1,872	1,974	1,703	1,730	+27
Liquid Paraffins & Sulfonates	3,874	3,720	3,385	3,480	3,793	4,400	+607
Hot Melt Adhesives	7,318	6,882	6,807	6,785	7,664	8,600	+936
Energy Device Materials	-	126	113	237	209	350	+141
Other	1,800	1,628	1,682	1,794	1,859	2,220	+361
Chemical Business	28,752	27,011	24,425	27,292	30,333	34,500	+4,167
Rental Building Business	53	53	53	8	-	-	-
Sales	28,806	27,064	24,479	27,300	30,333	34,500	+4,167
Functional Fluids	+4.6%	(4.7%)	(15.7%)	+23.2%	+16.0%	+13.9%	-
Synthetic Lubricants	(5.1%)	(18.7%)	(11.5%)	+5.5%	(13.7%)	+1.6%	-
Liquid Paraffins & Sulfonates	+8.3%	(4.0%)	(9.0%)	+2.8%	+9.0%	+16.0%	-
Hot Melt Adhesives	+0.6%	(6.0%)	(1.1%)	(0.3%)	+13.0%	+12.2%	-
Energy Device Materials	-	-	(10.3%)	+109.9%	(11.8%)	+67.5%	-
Other	+6.3%	(5.3%)	+3.3%	+6.6%	+3.6%	+19.4%	-
Chemical Business	+3.2%	(6.1%)	(9.6%)	+11.7%	+11.1%	+13.7%	-
Rental Building Business	0.0%	0.0%	0.0%	(84.2%)	-	-	-
Sales (YoY)	+3.2%	(6.0%)	(9.6%)	+11.5%	+11.1%	+13.7%	-
Functional Fluids	45.7%	46.3%	43.2%	47.7%	49.8%	49.9%	-
Synthetic Lubricants	9.0%	7.8%	7.6%	7.2%	5.6%	5.0%	-
Liquid Paraffins & Sulfonates	13.4%	13.7%	13.8%	12.7%	12.5%	12.8%	-
Hot Melt Adhesives	25.4%	25.4%	27.8%	24.9%	25.3%	24.9%	-
Energy Device Materials	-	0.5%	0.5%	0.9%	0.7%	1.0%	-
Other	6.2%	6.0%	6.9%	6.6%	6.1%	6.4%	-
Chemical Business	99.8%	99.8%	99.8%	100.0%	100.0%	100.0%	-
Rental Building Business	0.2%	0.2%	0.2%	0.0%	-	-	-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-

Source: Company Data, WRJ Calculation

Balance Sheet

Balance Sheet	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
(Million Yen)	FY	FY	FY	FY	FY	FY	YoY
	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024	Net Chg.
Cash and Deposit	3,377	3,576	4,108	4,001	4,256	-	-
Accounts Receivables	6,863	6,720	6,643	6,844	7,595	-	-
Inventory	4,666	4,779	4,242	5,326	6,306	-	-
Other	296	361	311	436	653	-	-
Current Assets	15,202	15,436	15,304	16,607	18,810	-	-
Tangible Assets	9,231	9,034	8,518	8,304	8,610	-	-
Intangible Assets	1,275	1,046	792	633	589	-	-
Investments and Other Assets	2,548	2,613	3,093	3,465	4,002	-	-
Fixed Assets	13,054	12,693	12,403	12,401	13,202	-	-
Deferred Assets	-	-	-	-	6	-	-
Total Assets	28,256	28,129	27,707	29,008	32,017	-	-
Accounts Payables	4,527	4,072	3,975	4,308	5,144	-	-
Short-Term Debt	2,173	2,341	2,544	560	2,381	-	-
Other	2,403	1,650	1,602	2,392	2,074	-	-
Current Liabilities	9,103	8,063	8,121	7,260	9,599	-	-
Long-Term Debt	775	1,244	775	350	472	-	-
Other	603	612	649	847	707	-	-
Fixed Liabilities	1,378	1,856	1,424	1,197	1,179	-	-
Total Liabilities	10,480	9,919	9,545	8,457	10,778	-	-
Shareholders' Equity	15,626	15,939	15,836	17,227	17,287	-	-
Other	2,149	2,270	2,327	3,324	3,953	-	-
Net Assets	17,775	18,209	18,163	20,551	21,240	-	-
Total Liabilities & Net Assets	28,256	28,129	27,707	29,008	32,017	-	-
Equity Capital	15,704	15,931	15,899	17,962	18,533	-	-
Interest Bearing Debt	2,948	3,585	3,319	910	2,853	-	-
Net Debt	(429)	9	(789)	(3,091)	(1,403)	-	-
Equity Ratio	55.6%	56.6%	57.4%	61.9%	57.9%	-	-
Net Debt Equity Ratio	(2.7%)	0.1%	(5.0%)	(17.2%)	(7.6%)	-	-
ROE (12 months)	9.2%	4.9%	3.3%	10.7%	3.4%	-	-
ROA (12 months)	7.9%	5.6%	3.7%	7.1%	3.4%	-	-
Days for Inventory Turnover	87	95	93	104	103	-	-
Quick Ratio	112%	128%	132%	149%	123%	-	-
Current Ratio	167%	191%	188%	229%	196%	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement

Cash Flow Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
(Million Yen)	FY	FY	FY	FY	FY	FY	YoY
	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024	Net Chg.
Operating Cash Flow	2,599	1,771	2,088	2,333	515	-	-
Investing Cash Flow	(2,060)	(1,589)	(660)	603	(1,172)	-	-
Operating Cash Flow and Investing Cash Flow	539	182	1,428	2,936	(657)	-	-
Financing Cash Flow	(949)	78	(1,019)	(2,937)	1,227	-	-

Source: Company Data, WRJ Calculation

Per Share Data

Per Share Data (Before Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024	Net Chg.
No. of Shares FY End (thousand shares)	9,697	9,697	9,697	9,697	9,697	-	-
Net Profit / EPS (thousand shares)	9,661	9,591	9,577	9,380	9,291	-	-
Treasury Shares FY End (thousand shares)	105	98	321	317	469	-	-
Earnings Per Share	148.85	80.91	54.09	192.76	66.19	75.86	-
Earnings Per Share (Fully Diluted)	-	-	-	-	-	-	-
Book Value Per Share	1,637.29	1,659.74	1,695.81	1,914.94	2,008.49	-	-
Dividend Per Share	50.00	50.00	40.00	40.00	40.00	45.00	-
Per Share Data (After Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024	Net Chg.
Share Split Factor	1	1	1	1	1	1	-
Earnings Per Share	148.85	80.91	54.09	192.76	66.19	75.86	-
Book Value Per Share	1,637.29	1,659.74	1,695.81	1,914.94	2,008.49	-	-
Dividend Per Share	50.00	50.00	40.00	40.00	40.00	45.00	-
Payout Ratio	33.6%	61.8%	74.0%	20.8%	60.4%	59.3%	-

Source: Company Data, WRJ Calculation

Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage, etc.

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