

# 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	75.83	45.00	-
FY02/2023	YoY	11.1%	(63.5%)	(48.0%)	(66.0%)	-	-	-
FY02/2024CoE	YoY	13.7%	167.7%	53.0%	13.9%	-	-	-
Consolidated Half Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY02/2023		14,523	295	846	504	-	-	-
Q3 to Q4 FY02/2023		15,810	228	200	111	-	-	-
Q1 to Q2 FY02/2024		15,386	528	933	569	-	-	-
Q3 to Q4 FY02/2024CoE		19,114	872	667	131	-	-	-
Q1 to Q2 FY02/2024	YoY	5.9%	78.8%	10.4%	13.0%	-	-	-
Q3 to Q4 FY02/2024CoE	YoY	20.9%	282.5%	233.5%	18.0%	-	-	-

Source: Company Data, WRJ Calculation

## 1.0 Executive Summary (11 December 2023)

### Growth Strategy


MORESCO, running operations of R&D, manufacture and sale of chemical goods used in diverse applications with autos as the mainstay, is currently implementing its growth strategy from a long-term perspective. For recent trading, the Company is seeing a shift from downward trend to upward trend, while beginning to promote sales in the United States by means of leveraging the acquisition of business from a local trade as well as actively working on the development of sealants for next-generation solar cells. On 22 August 2023, the Company disclosed that it had signed a business acquisition agreement with CROSS, Inc., based in the United States, with which it is planning to beef up the share in the local market for diecasting lubricants, i.e., one of the key products on the mainstay Functional Fluids side, calling for some 15% in CY2030 versus some 3% in CY2022. Meanwhile, it was at the financial results briefing held on 16 October 2023 that the Company had revealed its plan to develop a prototype of sealants dedicated to perovskite solar cells by spring 2024 with the aim of making them commercially viable in three years or earlier. By the way, the Company is to release its new midterm management plan (FY02/2025 to FY02/2027) around February 2024. At this stage, it appears that the Company is to refer to the latest progress for all those issues to drive long-term growth on top of performance target during the relevant period.

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

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## 2.0 Company Profile

### Interface Science Specialist

<b>Company Name</b>	MORESCO Corporation <a href="#">Company Website</a> <a href="#">IR Information</a> <a href="#">Share Price (Japanese)</a> 
<b>Established</b>	27 October 1958
<b>Listing</b>	20 October 2023 : Tokyo Stock Exchange Standard Market (ticker: 5018) 4 April 2022: Tokyo Stock Exchange Prime Market 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
<b>Capital</b>	¥2,118m (as of the end of August 2023)
<b>No. of Shares</b>	9,696,500 shares, including 463,720 treasury shares (as of the end of August 2023)
<b>Main Features</b>	<ul style="list-style-type: none"> <li>● Independent (non-keiretsu) manufacturer of chemical goods, some 43% exposed to autos by application in terms of sales</li> <li>● Specializing in “interface science” with exclusive exposure to niche markets</li> <li>● R&amp;D, manufacture and sale of chemical goods to fulfil the functionalities of lubrications, adhesives and surface protections</li> </ul>
<b>Segments</b>	I . Japan II . China III. Southeast/South Asia (Thailand, Indonesia and India) IV. North America
<b>Representative</b>	CEO, Representative Director and President: Motohisa Morozumi
<b>Shareholders</b>	Matsumura Oil 11.5%, Cosmo Oil Lubricants 5.4%, Master Trust Bank of Japan, T. 4.6%, MORESCO ESOP 4.3%, (as of the end of August 2023, but for treasury shares)
<b>Head Office</b>	Kobe-city, Hyogo-prefecture, JAPAN
<b>No. of Personnel</b>	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

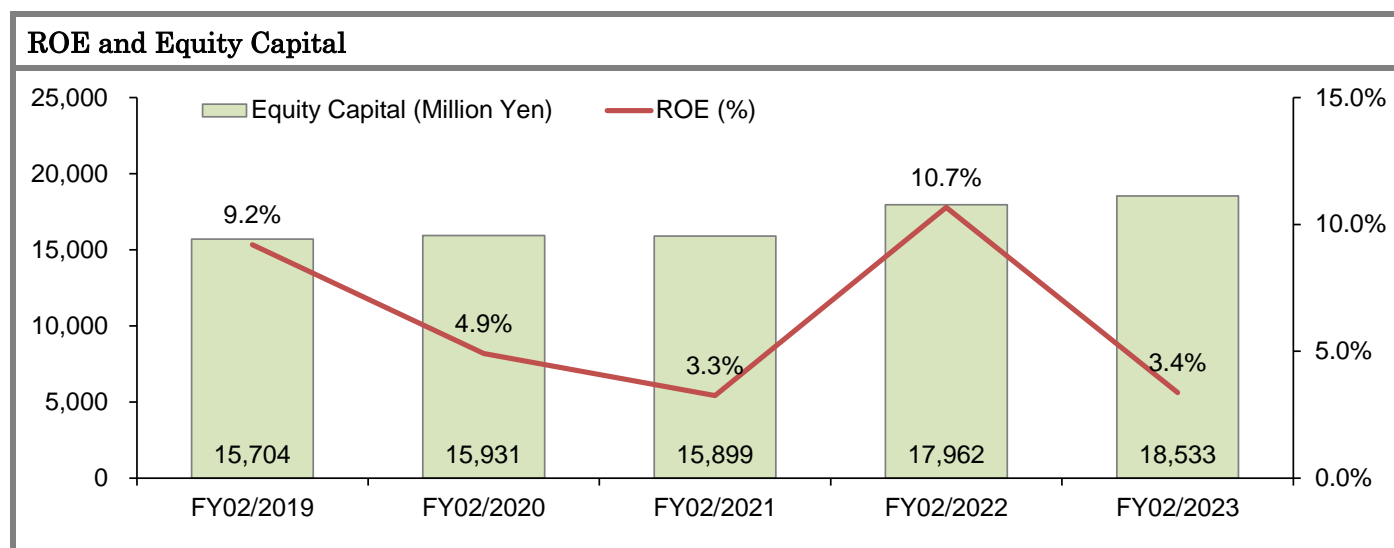


Source: Company Data

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 had been made 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 had 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](#)), which equates the disclosure of the Company's data on ESG.

Meanwhile, the Company has bought back own shares on 14 July 2022 with an objective 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 terms, 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 buyback program with an objective of raising ROE.



Source: Company Data

### **Application of Adoption for Standard Market**

On 1 March 2023, the Company newly established 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, the Company is to suggest its growth potential from a long-term perspective by means of launching MORESCO 10th Midterm Management Plan (FY02/2025 to FY02/2027) around February 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 had once implemented application of adoption for Standard Market due to a short-term uncertainty on the state of compliance associated with market capitalization of tradable shares and average daily trading value, having made a listing change to Standard Market on 20 October 2023 as scheduled.

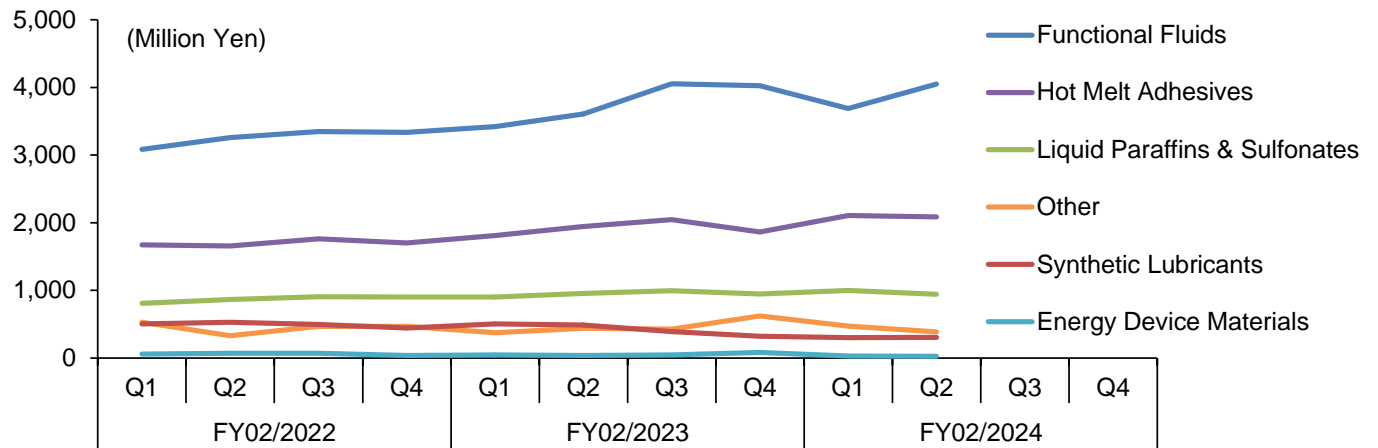
### **MORESCO Green SX Certified Products**

As a new measure to implement its commitment to a sustainable society, the Company now plans to increase the sales composition ratio of MORESCO Green SX Certified Products from 29% in the actual results for FY02/2023 up to 40% for FY02/2027 and 50% for FY02/2031. Typical certified products include water-soluble minimum quantity spray type diecasting lubricants (to improve diecasting quality, cut back on costs and improve working environments), fireproof hydraulic fluids (to contribute to reuse and/or recycling), reactive hot melt adhesives (to contribute to the elimination of solvents) and biomass products (to contribute to the reduction of petroleum-based raw materials). In other words, the Company has newly categorized products that are considered to make a particularly significant contribution to [the Company's materiality, i.e., reduction of environmental burden, development of innovative products and services, etc.](#) by evaluating the entire life cycle of each product, from procurement of raw materials to disposal, as MORESCO Green SX Certified Products".

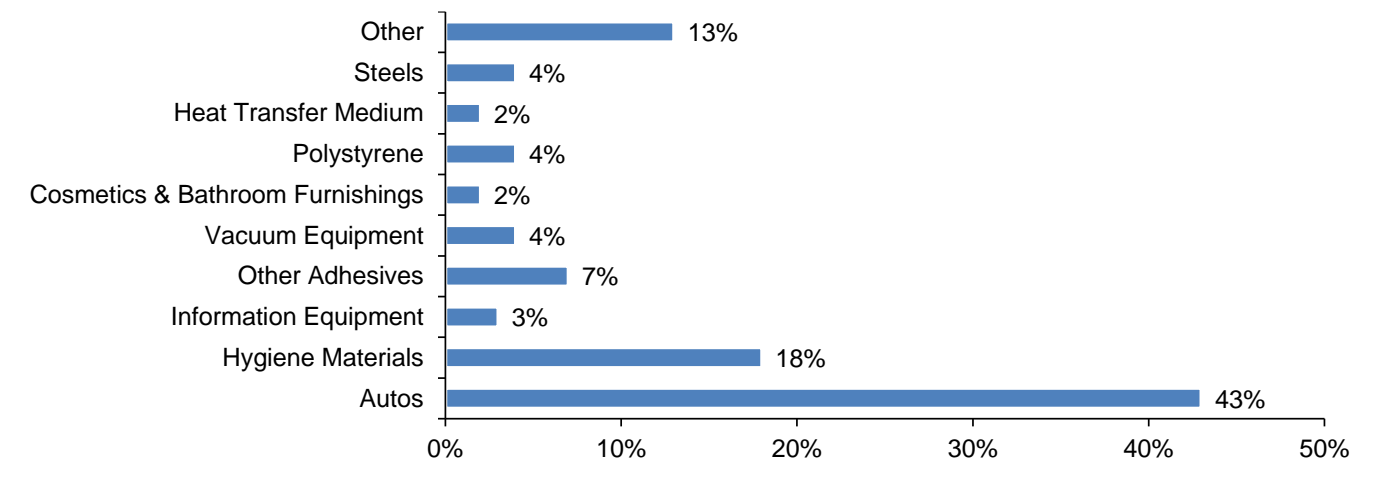
### **Overwhelming Shares in Niche Markets Small in Size**

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.

### Sales by Business Division



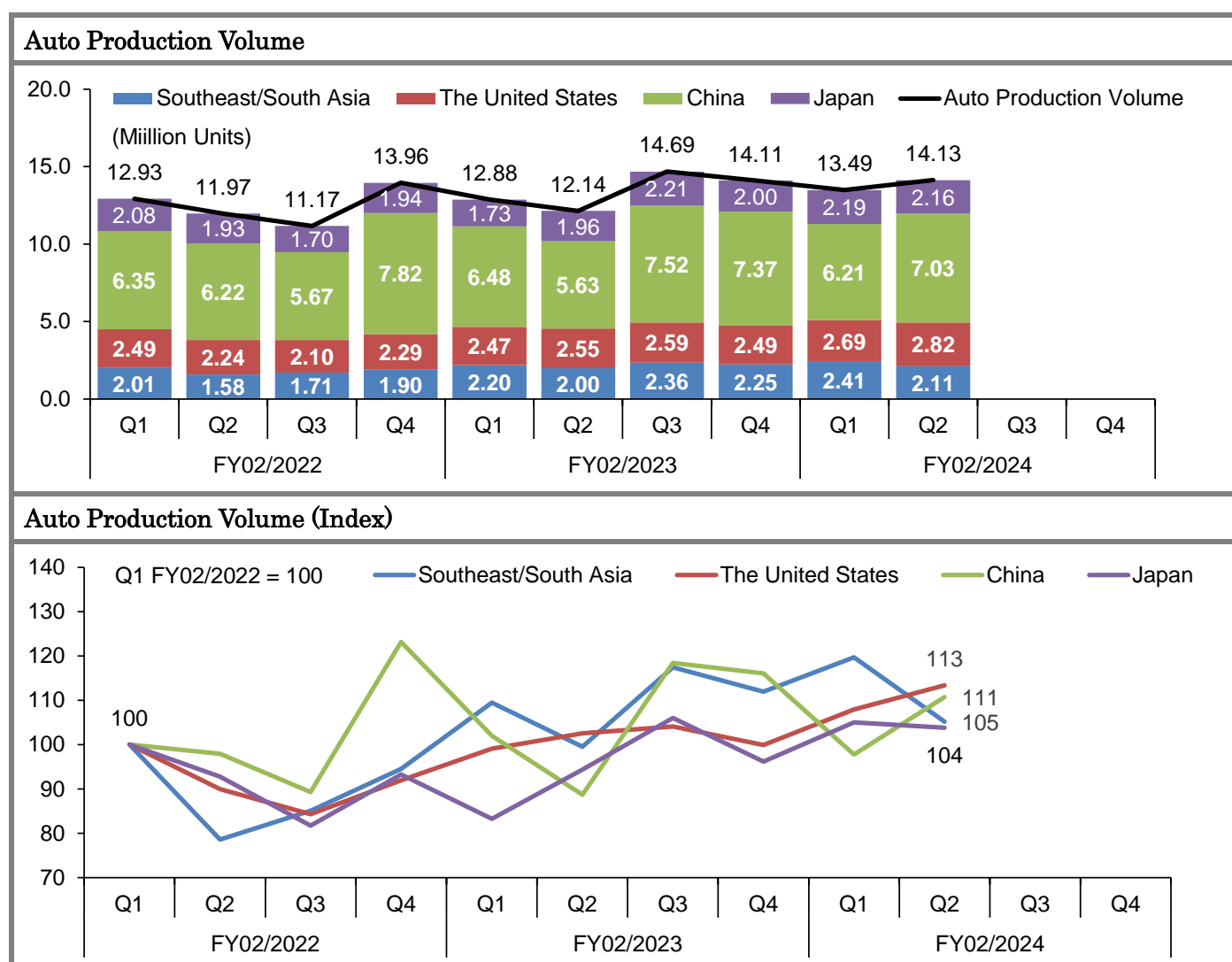
### Sales by Application (FY02/2023)



Source: Company Data, WRJ Calculation

### Business Environment (a): Auto Production Volume

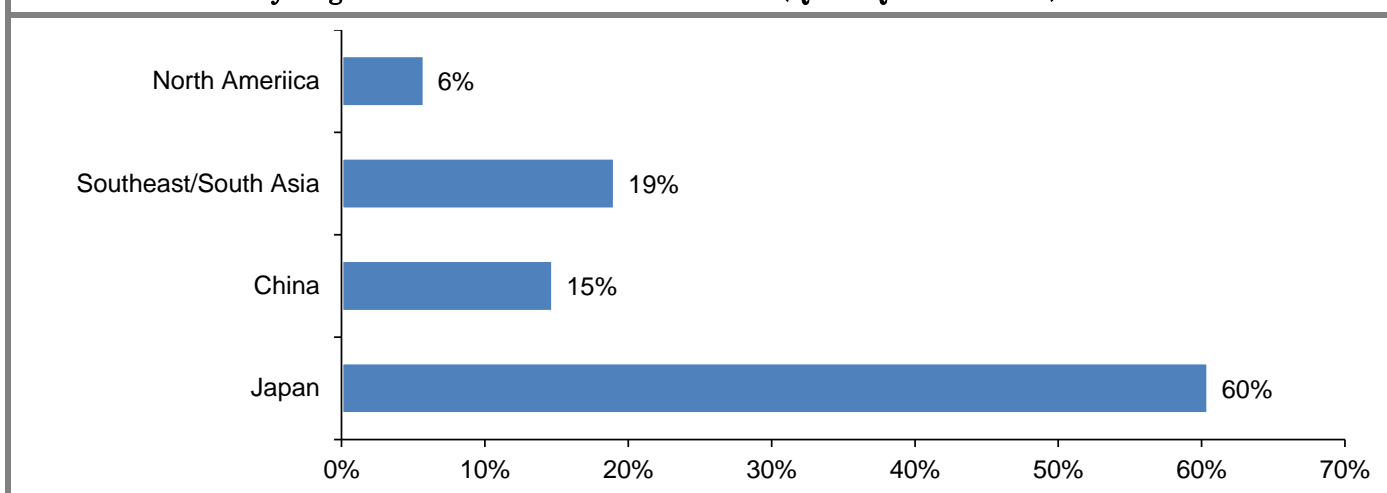
For FY02/2023, autos accounted for 43% of total sales by application. In light of this, it appears that the Company's performance has a lot to do with changes in the auto production volume. According to the Company, the bulk of sales associated with auto application comprises those of products belonging to the Functional Fluids side (49.8% of sales) by business division, i.e., hydraulic fluids, diecasting 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, diecasting fluids, the mainstay on the Functional Fluids side, comprise diecasting lubricants and plunger lubricants, while the diecasting 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/or magnesium, as materials) by diecasting machines.



Source: Company Data, WRJ Calculation



### Sales Breakdown by Region on the Functional Fluids side (Q1 to Q2 FY02/2024)



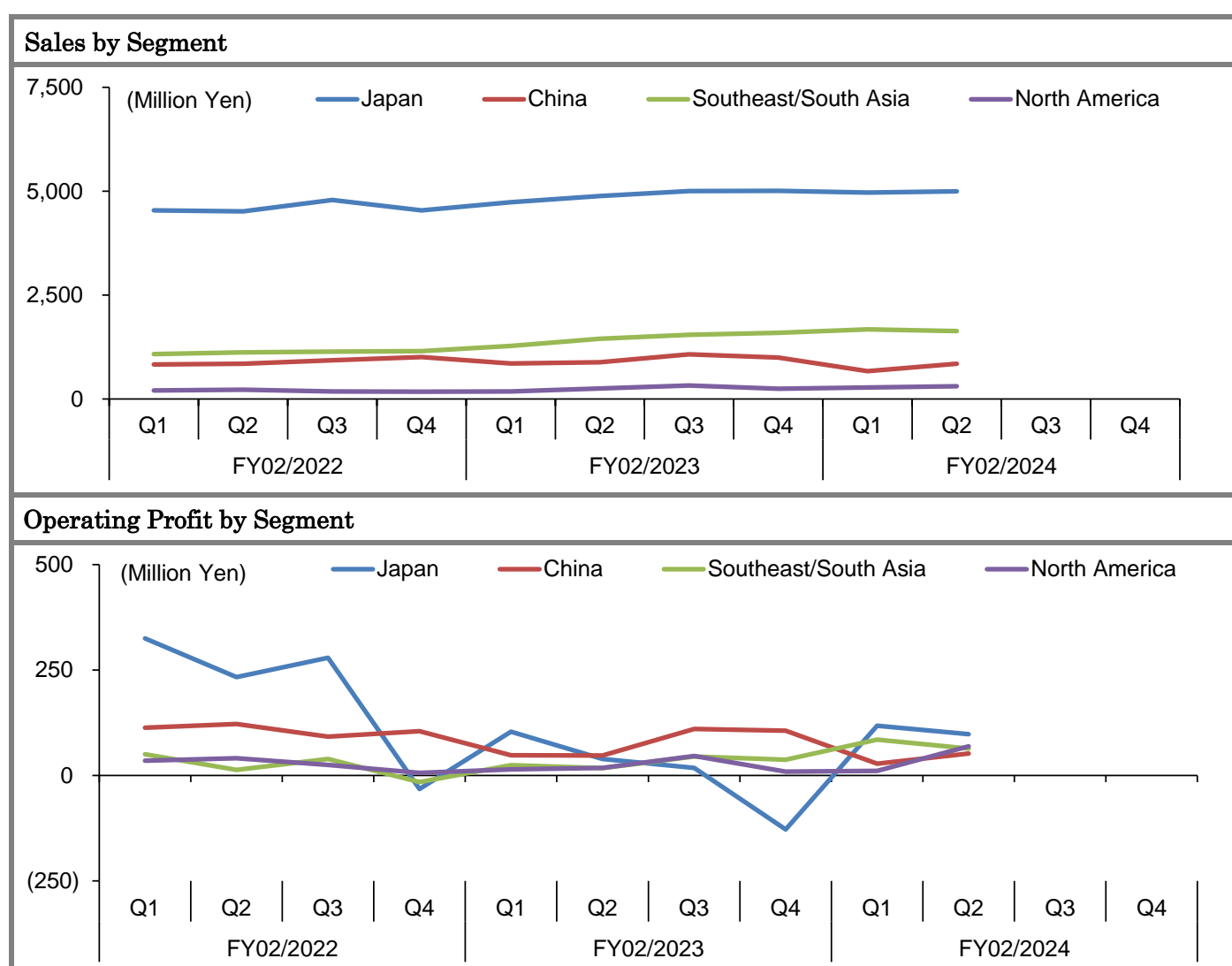
Source: Company Data, WRJ Calculation

In terms of sales breakdown by region on the Functional Fluids side, sales in Japan accounts for 60% of total, implying that the Company's performance tends to be particularly affected by trends of the auto production volume in Japan. For the actual results of Q1 to Q2 FY02/2024, the auto production volume in Japan came in at 4.34m units (up 17.6% YoY), having risen sharply. Still, the Company states that this is due mainly to the impact of production cutbacks as a result of semiconductor shortage and other factors having run their course. For example, if the Q1 FY02/2022 results are indexed at 100, the index for Japan equated 104 for Q2 FY02/2024 versus 111 for China, 105 for Southeast/South Asia (Thailand, Indonesia and India) and 113 for the United States. Thus, the recovery phase after the impact of the Corona disaster is relatively slow in Japan, according to the Company.

For Q1 to Q2 FY02/2024, the auto production volume in China came in at 13.24m units (up 9.3%), 4.52m units (up 7.6%) in Southeast/South Asia (Thailand, Indonesia and India) and 5.51m units (up 9.8%) in the United States. In other words, the auto production volume came in at 27.61m units (up 10.3%), collectively, in the locations where the Company runs its operations. All those numbers are based on data from MarkLines and the actual results of the relevant accounting period (March 2023 to August 2023) have been reflected for Japan versus those of the local accounting period (January 2023 to June 2023) for local operations with respect to operations overseas, which are run by local subsidiaries to have a fiscal yearend of December. Consequently, all the auto production volume mentioned here corresponds to the Company's performance for Q1 to Q2.



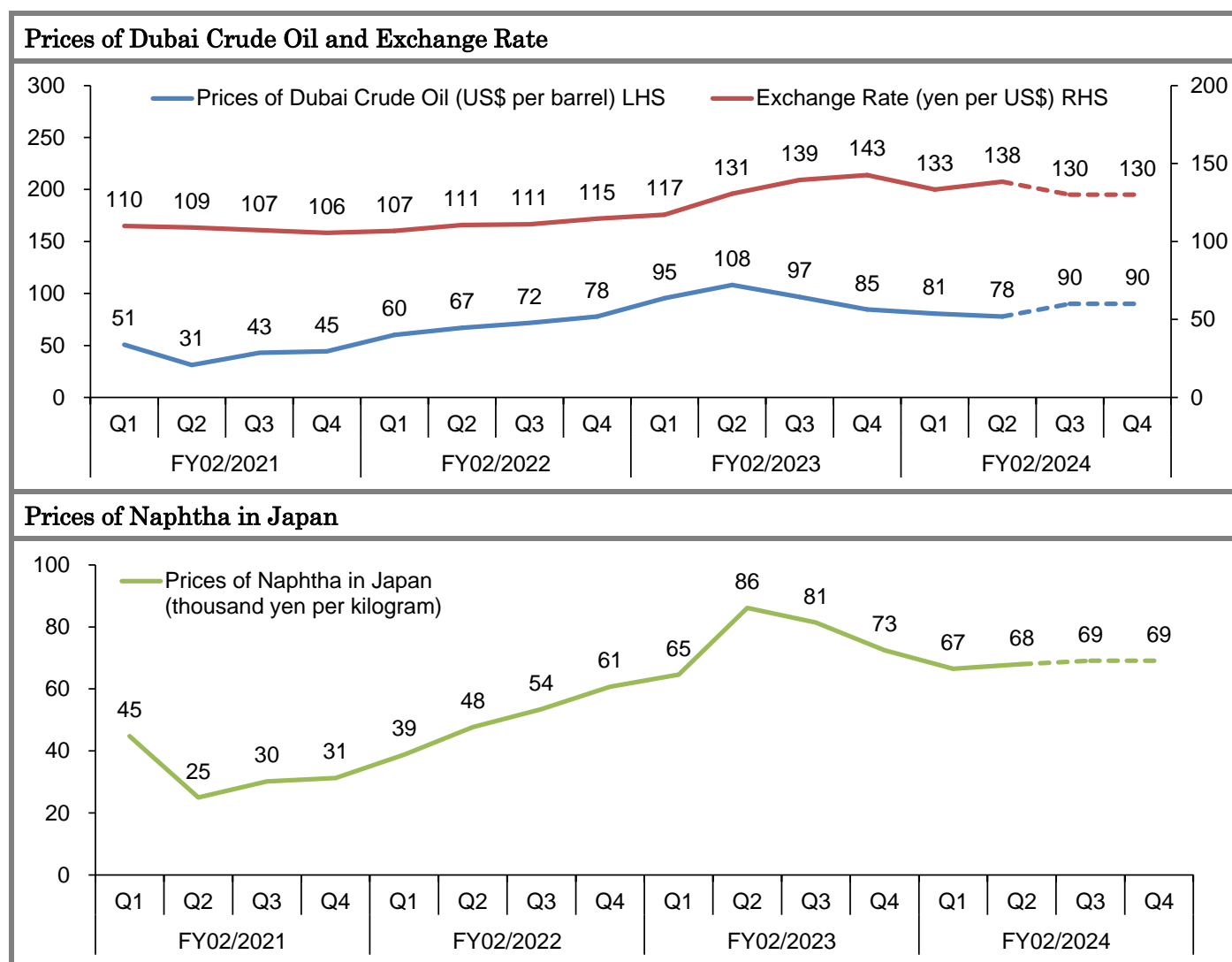
In Southeast/South Asia (Thailand, Indonesia and India), auto production volume picked up sharply for Q1 FY02/2024 and this seems to have had a significant positive impact on the Company's performance. Meanwhile, the Company has spotted that it failed to benefit from the increase of auto production volume in China as much as it suggests. The auto production volume is stagnating with respect to local production facilities run by Japanese automakers with which the Company is deeply involved and sales volume on the Functional Fluids side are inevitably stagnating as well. One of the reasons cited for this is that all those Japanese automakers have lost market shares in the local market. On the other hand, the Company locally sees a steady increase in the production volume of so-called new energy vehicles (as defined by the Chinese government), such as electric vehicles (EVs), plug-in hybrid vehicles (PHVs) and fuel cell vehicles (FCVs). In light of this, the Company is now attempting to accelerate the development of products for lightweight parts for new energy vehicles and the handling for GIGACAST to implement one-piece molding of car body parts in order to locally begin full-scale delivery of products to non-Japanese automakers.



Source: Company Data, WRJ Calculation

## Business Environment (b): Raw Material Procurement Costs

The Company is deeply involved with procurement 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 raw material procurement costs. As indicators for the trends of raw material procurement costs, the Company mentions prices of Dubai crude oil (US\$ per barrel), exchange rate (yen per US\$) and prices of naphtha in Japan (thousand yen per kilogram), implying that the Company's raw material procurement costs basically hinge on changes in prices of naphtha in Japan (thousand yen per kilogram) to be principally decided by yen-denominated prices of Dubai crude oil.



Source: Company Data

FY02/2024 Company forecasts assume prices of Dubai crude oil at US\$90 per barrel, exchange rate at ¥130 per US\$ and prices of naphtha in Japan at ¥69 thousand per kilogram. For the actual results of Q1 to Q2, yen was rather weaker and prices of Dubai crude oil were rather lower, having led to prices of naphtha in Japan basically as assumed. However, since the beginning of H2, yen has got further depreciated and prices of Dubai crude oil have risen rather higher than assumed. As a result, it appears that prices of naphtha have also risen higher than assumed. In light of all those trends, there is an increasing probability for Company forecasts being exceeded for H2 in terms of assumptions for raw material procurement costs and thus an inevitable shortfall in earnings as well.

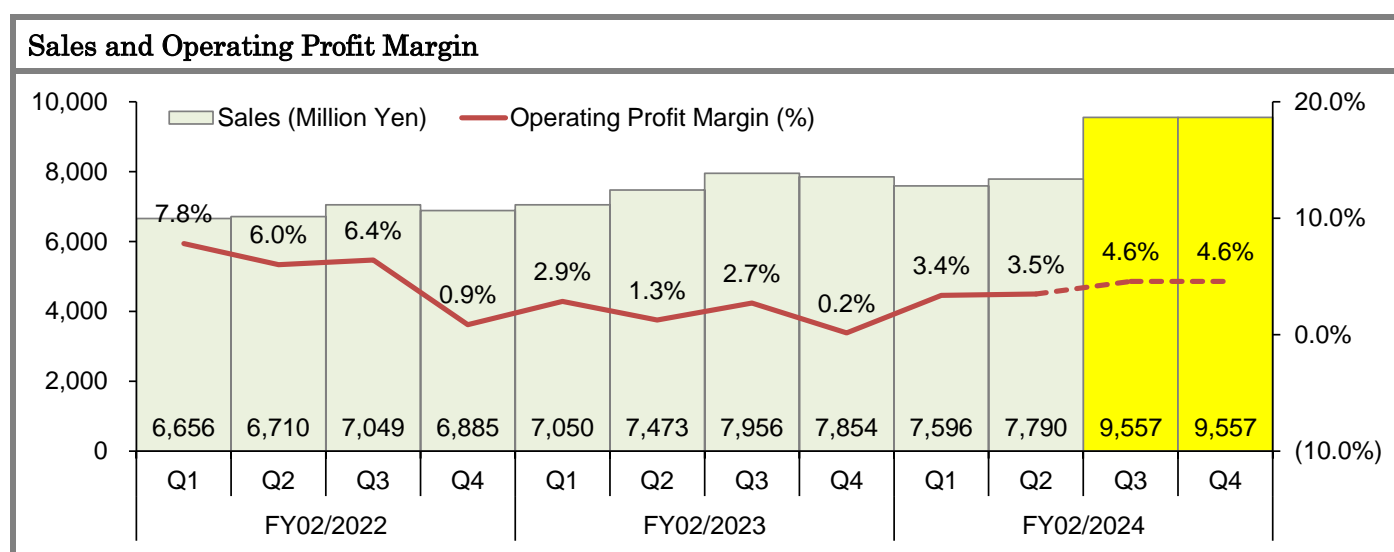
## Company History (extract)

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 hydraulic 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, completed 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
October 2023	Listing of shares, transitioned to Tokyo Stock Exchange Standard Market

## 4.0 Recent Trading and Prospects

### Q1 to Q2 FY02/2024

For Q1 to Q2 FY02/2024, sales came in at ¥15,386m (up 5.9% YoY), operating profit ¥528m (up 78.8%), recurring profit ¥933m (up 10.4%) and profit attributable to owners of parent ¥569m (up 13.0%). At the non-operating level, the Company saw currency gain substantially reduced from ¥454m to ¥268m, having cut back on the increase at the recurring level by the same amount. Meanwhile, gross profit came in at ¥4,197m (up 3.9%) and SG&A expenses ¥3,669m (down 2.0%), implying gross profit margin of 27.3% (down 0.5% points) and SG&A ratio of 23.8% (down 1.9% points), having resulted in operating profit margin of 3.4% (up 1.4% points).



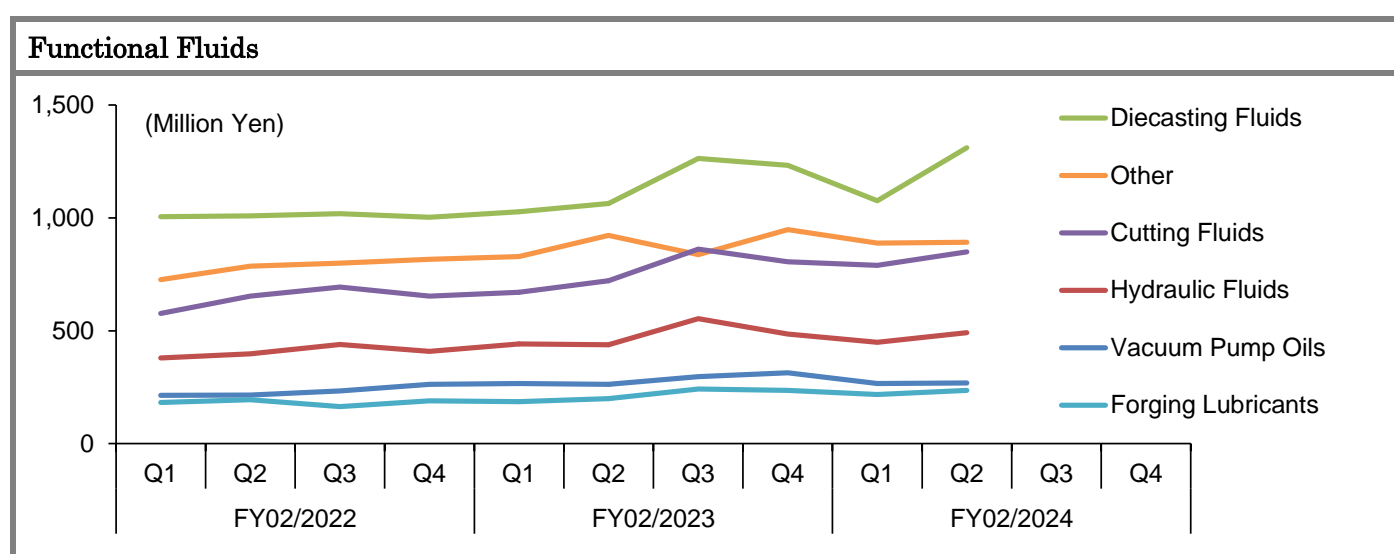
Source: Company Data, WRJ Calculation (Q3 and Q4 FY02/2024: full-year Company forecasts after subtracting the Q1 to Q2 results, pro rata)

According to the Company, it sees stagnating sales volume as a whole in terms of changes from the same period of the previous year. More importantly, however, the Company's sales have risen favorably due to the greater impact of higher unit selling prices. By business division, the Company has disclosed that sales volume declined 2.1% on the Functional Fluids side, that sales volume declined 31.6% on the Synthetic Lubricants side, that sales volume declined 12.3% on the Liquid Paraffins & Sulfonates side and that sales volume increased 4.0% on the Hot Melt Adhesives side. Meanwhile, with respect to the higher unit selling prices, the Company has cited as background that it has made a significant progress in its measures to pass on the past rise in raw material procurement costs most lately. According to the Company, it requires a certain period of time lag to pass on the rise in raw material procurement costs to unit selling prices. By the way, the Company has also noted that the recent yen's depreciation has made an add-on rise in unit selling prices in sales overseas to a corresponding extent.

Meanwhile, the Company has seen operating profit margin of 3.4% for the Q1 results, which was followed by 3.5% for the Q2 results, while Company forecasts assume 4.6% for H2, when based on the actual results for Q1 to Q2. In other words, on a quarterly basis, the Company is supposed to continue being in the process of V-shaped recovery for operating profit margin, having had hit the bottom at 0.2% for the actual results of Q4 FY02/2023. However, there is a concern that raw material procurement costs for H2 are showing an increasing trend of exceeding assumptions of Company forecasts. As above mentioned, it requires a certain period of time lag to pass that on to unit selling prices.

### Functional Fluids (50.3% of sales)

For Q1 to Q2 FY02/2024, sales came in at ¥7,736m (up 10.1%), while Company forecasts are going for prospective sales of ¥17,200m (up 13.9%) for FY02/2024. Given the 2.1% decline in sales volume for the Q1 to Q2 results, it should have been the case that unit selling prices have risen 12.4%.



Source: Company Data

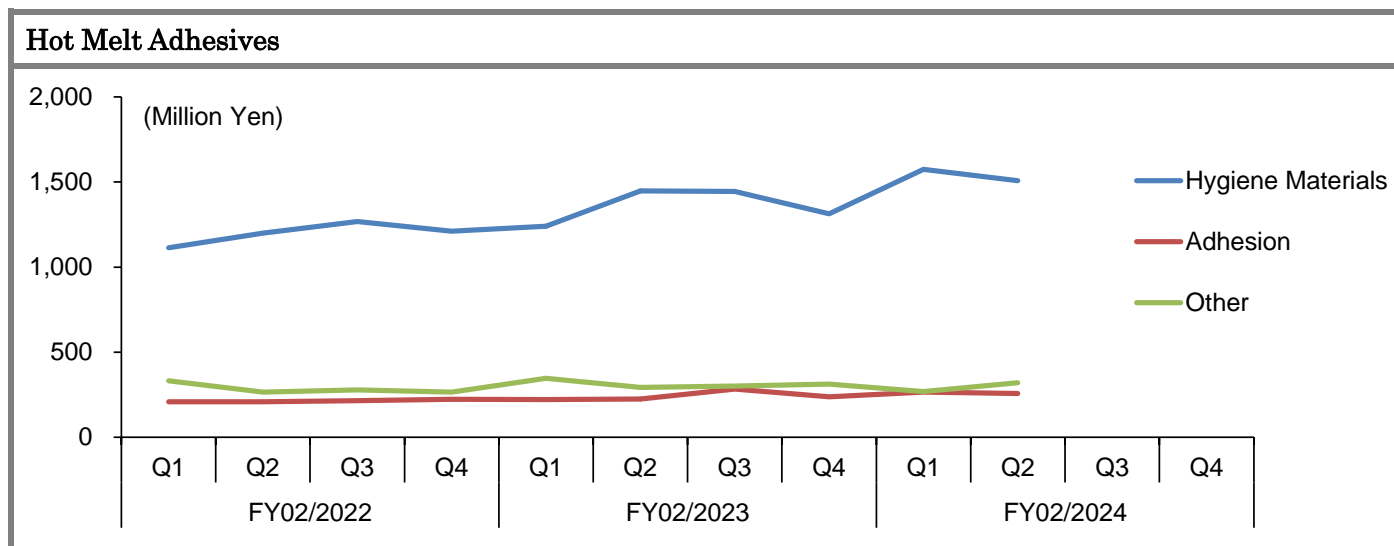
On the Functional Fluids side, which accounts for a significant portion of sales associated with autos, the Company suggests that sales volume has risen in Southeast/South Asia (Thailand, Indonesia and India) and North America (the United States), driven by an increase in local auto production volume in each. Meanwhile, the Company suggests that sales volume has marginally declined in Japan and substantially in China. In Japan, an increase in auto production volume has realized an increase in sales volume for diecasting fluids, the mainstay by product, as well as other products, but this is more than offset by slowing demand for (fireproof) hydraulic fluids, mainly applied for the steel industry as well as other factors. It is also the case in China that the auto production volume has risen, but it has been stagnating as far as the local facilities of Japanese automakers are concerned. Given the stagnation at the key destinations of the delivery, it was inevitable to suffer from a stagnation also in its own sales volume, according to the Company.

Meanwhile, the Company has laid out a policy to enhance sales on this side. It was on 22 August 2023 that the Company announced a business acquisition agreement had been signed with CROSS, Inc. (CROSS TECHNOLOGIES GROUP, Inc.), based in the United States, with which it is planning to beef up the share in the local market for diecasting lubricants, i.e., a constituent of the mainstay diecasting fluids together with plunger lubricants. By the way, CROSS, Inc. also manufactures and sells metalworking oils, polyurethanes, lubricants for combined materials industry as well as raw materials used in diecasting lubricants on top of diecasting lubricants, according to the Company.

The deal is making the Company secure a new production base in the United States, which will enable it to strengthen the stable supply of products locally as well as being directly involved with self-manufacture and development of lubricant-related raw materials at the same time. Thus, the Company will be able to mass-produce products superior to ones before in terms of quality. On top of this, the Company is planning to enhance delivery to local auto-parts manufacturers by leveraging the acquired sales channels of the counterparty. With respect to diecasting lubricants in the United States, the Company sees market share of no more than some 3% and collectively some 7%, including that of CROSS, Inc. Going forward, the Company will be in the pursuit of synergies by leveraging the strengths of the two companies, calling for prospective sales of US\$30m and/or market share of some 15% by CY2030.

**Hot Melt Adhesives (27.3% of sales)**

For Q1 to Q2 FY02/2024, sales came in at ¥4,194m (up 11.7%), while Company forecasts are going for prospective sales of ¥8,600m (up 12.2%) for FY02/2024. Given the 4.0% increase in sales volume for the Q1 to Q2 results, it should have been the case that unit selling prices have risen 7.4%.

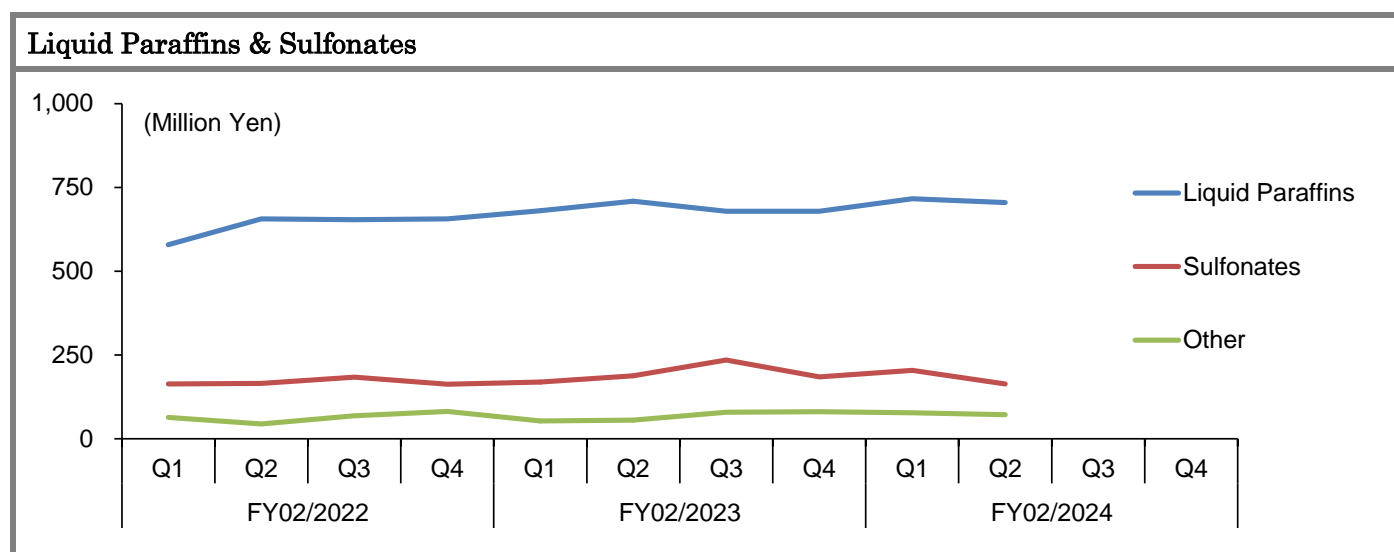


Source: Company Data

The Company suggests that sales volume of the mainstay hygiene materials (mainly disposable diapers) has risen some 9%. There is a limited increase in Japan, but sales volume is picking up sharply in Southeast/South Asia (Thailand, Indonesia and India). For India, sales volume has risen no less than some 24%, according to the Company.

### Liquid Paraffins & Sulfonates (12.6% of sales)

For Q1 to Q2 FY02/2024, sales came in at ¥1,940m (up 4.6%), while Company forecasts are going for prospective sales of ¥4,400m (up 16.0%) for FY02/2024. Given the 12.3% decline in sales volume for the Q1 to Q2 results, it should have been the case that unit selling prices have risen 19.2%.



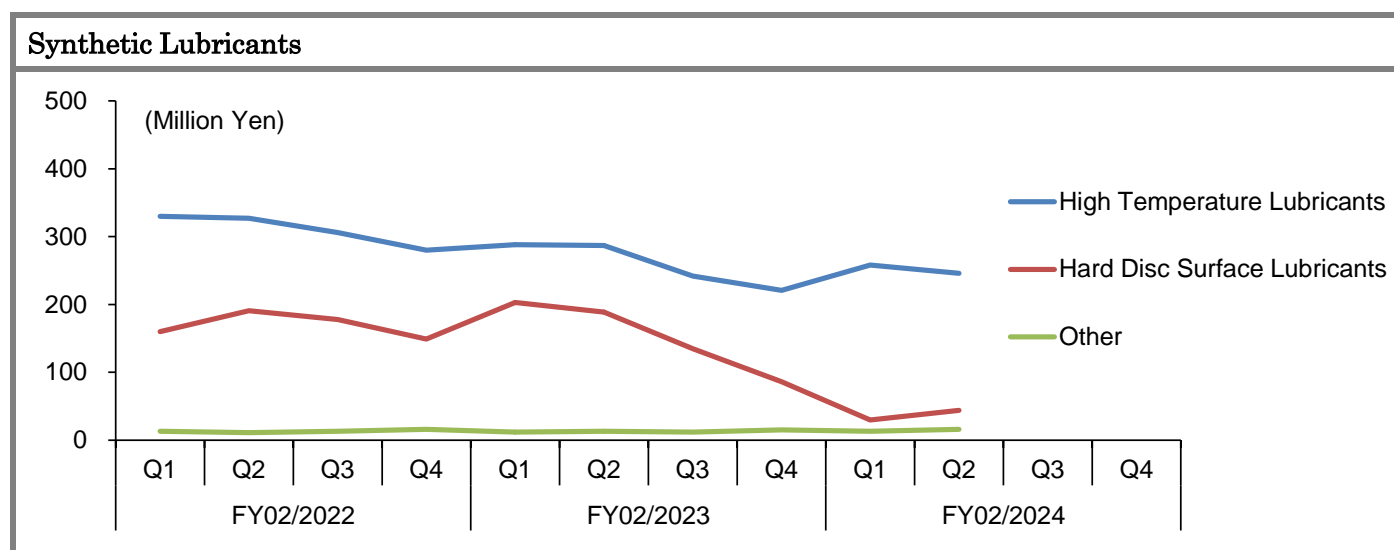
Source: Company Data

The Company suggests that sales volume of the liquid paraffins has declined some 15%. The reason cited is that demand for products used in mainstay polystyrene plasticizers (e.g., additives used in food tray manufacture) has been fairly sluggish, following an increase in demand due to the Corona disaster. Most lately, however, demand for liquid paraffins has shown signs of recovery and sales volume is expected to rise from the same period of the previous year for H2. By the way, the Company is seeing sales volume of sulfonates declining slightly. One of the reasons cited for this is that demand for metalworking applications has been declining.



### Synthetic Lubricants (3.9% of sales)

For Q1 to Q2 FY02/2024, sales came in at ¥607m (down 38.7%), while Company forecasts are going for prospective sales of ¥1,730m (up 1.6%) for FY02/2024. Given the 31.6% decline in sales volume for the Q1 to Q2 results, it should have been the case that unit selling prices have declined 10.4%.



Source: Company Data

Sales of high temperature lubricants came in at ¥504m (down 12.3%) and sales of hard disc surface lubricants came in at ¥74m (down 81.1%). Given plummeting sales of the latter whose unit selling prices are far higher than the former, unit selling prices on this side as a whole have declined, according to the Company.

For the mainstay high temperature lubricants, which are the key raw materials for high temperature greases used in sectors like autos, industrial machinery and home appliances, the Company sees slowing sales volume. By region, demand is weak in particular with respect to China and Europe. Company forecasts assume a full-fledged recovery in sales volume for H2, but it appears to take more time to do so, judging from the current state of trading, according to the Company.

Meanwhile, it appears that the Company sees sales volume of hard disk surface lubricants taking deep dive, while the Company argues that this is attributable to sharp decline in demand for hard disc drives as a result of drastically declining investments in data centers. The Company also suggests that it is now quite unlikely for Company forecasts to be met for this product, assuming a full-swing recovery for H2, although there is no change in the prospects that demand will remain favorable from a long-term perspective.

### **Energy Device Materials (0.4% of sales)**

For Q1 to Q2 FY02/2024, sales came in at ¥54m (down 35.7%), while Company forecasts are going for prospective sales of ¥350m (up 67.5%) for FY02/2024. On this side, the Company mainly runs operations of development, manufacture and sale of sealants and related equipment used in organic EL. At the moment, the Company sees sales small in size and remaining restrained, but the expertise and knowhow fostered and accumulated so far are now expected to be well utilized to drive the Company's growth from a long-term perspective. By the way, in the plan discussed below, the Company will utilize expertise and know fostered and accumulated on the hot melt adhesives side as well, according to the Company.

It was at the financial results briefing for Q1 to Q2 FY02/2024, held on 16 October 2023, that the Company had revealed its plan to develop a prototype of sealants dedicated to perovskite solar cells by spring 2024 with the aim of making them commercially viable in three years or earlier. Perovskite solar cells represent those of adopting perovskite-type crystals, which was developed in 2009 by Specially Appointed Professor Miyasaka and his colleagues at TOIN UNIVERSITY OF YOKOHAMA. Since then, they have rapidly increased their energy conversion efficiency to date. Combined with improving prospects for low-cost mass production, perovskite solar cells are now positioned as the mainstay of next-generation solar cells. For example, their light weight and flexibility will allow them to be used in places where it has been difficult to install the existing equivalents, such as on the exterior walls of office buildings (including curved surfaces). This is another advantage of this product, which is highly evaluated.

The Company is participating in the consortium led by Peccell Technologies, Inc., headed by Specially Appointed Professor Miyasaka, as a company responsible for the development and practical application of sealants dedicated to perovskite solar cells, while the rest of the consortium comprises REIKO Co., Ltd. in charge of film processing technology and Macnica, Inc. or a trading house of semiconductors. Meanwhile, the Company is trying to get at practical application as soon as possible by means of being actively working together with Mitsubishi Chemical Corporation and other companies outside the consortium at the same time. The Company's task is to develop innovative sealants with higher performance than before and provide the issue of durability extension for perovskite solar cells with a solution. The existing silicon solar cells have durability equating some 30 years versus no more than some 10 years for perovskite solar cells at the moment. Perovskite solar cells are susceptible to moisture, which is a major bottleneck in extending their durability. Thus, the Company is now trying to reduce this feature with its expertise on sealants and other products.

### **Other (5.6% of sales)**

For Q1 to Q2 FY02/2024, sales came in at ¥856m (up 5.3%), while Company forecasts are going for prospective sales of ¥2,200m (up 19.4%) for FY02/2024. According to the Company, the predominant sales on this side are generated from development, manufacture and sale of wastewater treatment equipment and wastewater treatment chemicals (consumables), which are in charge of by MATSUKEN CO., LTD.(100% subsidiary).

## 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)	02/2023	02/2023	02/2023	02/2023	02/2024	02/2024	02/2024	02/2024		
<b>Sales</b>	<b>7,050</b>	<b>14,523</b>	<b>22,479</b>	<b>30,333</b>	<b>7,596</b>	<b>15,386</b>	-	-	-	<b>+863</b>
Cost of Sales	4,997	10,484	16,291	22,204	5,513	11,188	-	-	-	+704
Gross Profit	2,053	4,039	6,188	8,129	2,083	4,197	-	-	-	+158
SG&A Expenses	1,852	3,744	5,677	7,606	1,826	3,669	-	-	-	(75)
<b>Operating Profit</b>	<b>201</b>	<b>295</b>	<b>511</b>	<b>523</b>	<b>257</b>	<b>528</b>	-	-	-	<b>+233</b>
Non-Operating Balance	270	551	633	523	138	405	-	-	-	(146)
<b>Recurring Profit</b>	<b>471</b>	<b>846</b>	<b>1,144</b>	<b>1,046</b>	<b>395</b>	<b>933</b>	-	-	-	<b>+87</b>
Extraordinary Balance	-	-	-	-	-	-	-	-	-	-
Profit before Income Taxes	471	846	1,144	1,046	395	933	-	-	-	+87
Total Income Taxes	116	286	347	320	125	262	-	-	-	(24)
Profit Attributable to Non-Controlling Interests	38	56	78	112	47	102	-	-	-	+46
<b>Profit Attributable to Owners of Parent</b>	<b>317</b>	<b>504</b>	<b>719</b>	<b>615</b>	<b>224</b>	<b>569</b>	-	-	-	<b>+65</b>
Sales YoY	+5.9%	+8.7%	+10.1%	+11.1%	+7.7%	+5.9%	-	-	-	-
Operating Profit YoY	(61.4%)	(68.0%)	(62.8%)	(63.5%)	+28.0%	+78.8%	-	-	-	-
Recurring Profit YoY	(34.7%)	(27.3%)	(34.0%)	(48.0%)	(16.1%)	+10.4%	-	-	-	-
Profit Attributable to Owners of Parent YoY	(71.0%)	(62.9%)	(58.5%)	(66.0%)	(29.5%)	+13.0%	-	-	-	-
Gross Profit Margin	29.1%	27.8%	27.5%	26.8%	27.4%	27.3%	-	-	-	(0.5%)
SG&A Ratio	26.3%	25.8%	25.3%	25.1%	24.0%	23.8%	-	-	-	(1.9%)
Operating Profit Margin	2.9%	2.0%	2.3%	1.7%	3.4%	3.4%	-	-	-	+1.4%
Recurring Profit Margin	6.7%	5.8%	5.1%	3.4%	5.2%	6.1%	-	-	-	+0.2%
Profit Attributable to Owners of Parent Margin	4.5%	3.5%	3.2%	2.0%	2.9%	3.7%	-	-	-	+0.2%
Total Income Taxes / Profit before Income Taxes	24.6%	33.8%	30.3%	30.6%	31.6%	28.1%	-	-	-	(5.7%)
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)	02/2023	02/2023	02/2023	02/2023	02/2024	02/2024	02/2024	02/2024	02/2024	
<b>Sales</b>	<b>7,050</b>	<b>7,473</b>	<b>7,956</b>	<b>7,854</b>	<b>7,596</b>	<b>7,790</b>	-	-	-	<b>+317</b>
Cost of Sales	4,997	5,487	5,807	5,913	5,513	5,675	-	-	-	+188
Gross Profit	2,053	1,986	2,149	1,941	2,083	2,114	-	-	-	+128
SG&A Expenses	1,852	1,892	1,933	1,929	1,826	1,843	-	-	-	(49)
<b>Operating Profit</b>	<b>201</b>	<b>94</b>	<b>216</b>	<b>12</b>	<b>257</b>	<b>271</b>	-	-	-	<b>+177</b>
Non-Operating Balance	270	281	82	(110)	138	267	-	-	-	(14)
<b>Recurring Profit</b>	<b>471</b>	<b>375</b>	<b>298</b>	<b>(98)</b>	<b>395</b>	<b>538</b>	-	-	-	<b>+163</b>
Extraordinary Balance	-	-	-	-	-	-	-	-	-	-
Profit before Income Taxes	471	375	298	(98)	395	538	-	-	-	+163
Total Income Taxes	116	170	61	(27)	125	137	-	-	-	(33)
Profit Attributable to Non-Controlling Interests	38	18	22	34	47	55	-	-	-	+37
<b>Profit Attributable to Owners of Parent</b>	<b>317</b>	<b>187</b>	<b>215</b>	<b>(104)</b>	<b>224</b>	<b>345</b>	-	-	-	<b>+158</b>
Sales YoY	+5.9%	+11.4%	+12.9%	+14.1%	+7.7%	+4.2%	-	-	-	-
Operating Profit YoY	(61.4%)	(76.7%)	(52.2%)	(79.7%)	+28.0%	+188.3%	-	-	-	-
Recurring Profit YoY	(34.7%)	(15.2%)	(47.6%)	-	(16.1%)	+43.5%	-	-	-	-
Profit Attributable to Owners of Parent YoY	(71.0%)	(29.2%)	(42.0%)	-	(29.5%)	+84.5%	-	-	-	-
Gross Profit Margin	29.1%	26.6%	27.0%	24.7%	27.4%	27.1%	-	-	-	+0.6%
SG&A Ratio	26.3%	25.3%	24.3%	24.6%	24.0%	23.7%	-	-	-	(1.7%)
Operating Profit Margin	2.9%	1.3%	2.7%	0.2%	3.4%	3.5%	-	-	-	+2.2%
Recurring Profit Margin	6.7%	5.0%	3.7%	(1.2%)	5.2%	6.9%	-	-	-	+1.9%
Profit Attributable to Owners of Parent Margin	4.5%	2.5%	2.7%	(1.3%)	2.9%	4.4%	-	-	-	+1.9%
Total Income Taxes / Profit before Income Taxes	24.6%	45.3%	20.5%	27.6%	31.6%	25.5%	-	-	-	(19.9%)

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	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		
	02/2023	02/2023	02/2023	02/2023	02/2024	02/2024	02/2024	02/2024		
Japan	4,738	9,624	14,629	19,637	4,968	9,966	-	-	-	+342
China	854	1,737	2,813	3,814	670	1,522	-	-	-	(215)
Southeast/South Asia (Thailand, Indonesia and India)	1,276	2,726	4,274	5,870	1,679	3,313	-	-	-	+587
North America	182	436	762	1,011	278	584	-	-	-	+148
<b>Sales</b>	<b>7,050</b>	<b>14,523</b>	<b>22,479</b>	<b>30,333</b>	<b>7,596</b>	<b>15,386</b>	-	-	-	<b>+863</b>
Japan	104	143	161	33	118	216	-	-	-	+73
China	48	95	205	311	28	80	-	-	-	(15)
Southeast/South Asia (Thailand, Indonesia and India)	24	41	86	123	85	149	-	-	-	+108
North America	14	32	78	87	11	80	-	-	-	+48
<b>Segment Profit</b>	<b>189</b>	<b>311</b>	<b>531</b>	<b>553</b>	<b>242</b>	<b>525</b>	-	-	-	<b>+214</b>
Adjustments	11	(16)	(20)	(30)	15	3	-	-	-	+19
<b>Operating Profit</b>	<b>201</b>	<b>295</b>	<b>511</b>	<b>523</b>	<b>257</b>	<b>528</b>	-	-	-	<b>+233</b>
Japan	2.2%	1.5%	1.1%	0.2%	2.4%	2.2%	-	-	-	+0.7%
China	5.6%	5.5%	7.3%	8.2%	4.2%	5.3%	-	-	-	(0.2%)
Southeast/South Asia (Thailand, Indonesia and India)	1.9%	1.5%	2.0%	2.1%	5.1%	4.5%	-	-	-	+3.0%
North America	7.7%	7.3%	10.2%	8.6%	4.0%	13.7%	-	-	-	+6.4%
<b>Segment Profit Margin</b>	<b>2.7%</b>	<b>2.1%</b>	<b>2.4%</b>	<b>1.8%</b>	<b>3.2%</b>	<b>3.4%</b>	-	-	-	<b>+1.3%</b>
Adjustments	0.2%	(0.1%)	(0.1%)	(0.1%)	0.2%	0.0%	-	-	-	+0.1%
<b>Operating Profit Margin</b>	<b>2.9%</b>	<b>2.0%</b>	<b>2.3%</b>	<b>1.7%</b>	<b>3.4%</b>	<b>3.4%</b>	-	-	-	<b>+1.4%</b>

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	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
	02/2023	02/2023	02/2023	02/2023	02/2024	02/2024	02/2024	02/2024		
Japan	4,738	4,886	5,005	5,008	4,968	4,998	-	-	-	+112
China	854	883	1,076	1,001	670	852	-	-	-	(31)
Southeast/South Asia (Thailand, Indonesia and India)	1,276	1,450	1,548	1,596	1,679	1,634	-	-	-	+184
North America	182	254	326	249	278	306	-	-	-	+52
<b>Sales</b>	<b>7,050</b>	<b>7,473</b>	<b>7,956</b>	<b>7,854</b>	<b>7,596</b>	<b>7,790</b>	-	-	-	<b>+317</b>
Japan	104	39	18	(128)	118	98	-	-	-	+59
China	48	47	110	106	28	52	-	-	-	+5
Southeast/South Asia (Thailand, Indonesia and India)	24	17	45	37	85	64	-	-	-	+47
North America	14	18	46	9	11	69	-	-	-	+51
<b>Segment Profit</b>	<b>189</b>	<b>122</b>	<b>220</b>	<b>22</b>	<b>242</b>	<b>283</b>	-	-	-	<b>+161</b>
Adjustments	11	(27)	(4)	(10)	15	(12)	-	-	-	+15
<b>Operating Profit</b>	<b>201</b>	<b>94</b>	<b>216</b>	<b>12</b>	<b>257</b>	<b>271</b>	-	-	-	<b>+177</b>
Japan	2.2%	0.8%	0.4%	(2.6%)	2.4%	2.0%	-	-	-	+1.2%
China	5.6%	5.3%	10.2%	10.6%	4.2%	6.1%	-	-	-	+0.8%
Southeast/South Asia (Thailand, Indonesia and India)	1.9%	1.2%	2.9%	2.3%	5.1%	3.9%	-	-	-	+2.7%
North America	7.7%	7.1%	14.1%	3.6%	4.0%	22.5%	-	-	-	+15.5%
<b>Segment Profit Margin</b>	<b>2.7%</b>	<b>1.6%</b>	<b>2.8%</b>	<b>0.3%</b>	<b>3.2%</b>	<b>3.6%</b>	-	-	-	<b>+2.0%</b>
Adjustments	0.2%	(0.4%)	(0.1%)	(0.1%)	0.2%	(0.2%)	-	-	-	+0.2%
<b>Operating Profit Margin</b>	<b>2.9%</b>	<b>1.3%</b>	<b>2.7%</b>	<b>0.2%</b>	<b>3.4%</b>	<b>3.5%</b>	-	-	-	<b>+2.2%</b>

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	Q1 to Q4	Net Chg.
	02/2023	02/2023	02/2023	02/2023	02/2024	02/2024	02/2024	02/2024	02/2024	
Functional Fluids	3,420	7,027	11,081	15,105	3,688	7,736	-	-	-	+709
Synthetic Lubricants	502	991	1,381	1,703	301	607	-	-	-	(384)
Liquid Paraffins & Sulfonates	902	1,855	2,849	3,793	998	1,940	-	-	-	+85
Hot Melt Adhesives	1,809	3,754	5,801	7,664	2,108	4,194	-	-	-	+440
Energy Device Materials	45	84	128	209	30	54	-	-	-	(30)
Other	372	812	1,239	1,859	470	856	-	-	-	+44
<b>Sales</b>	<b>7,050</b>	<b>14,523</b>	<b>22,479</b>	<b>30,333</b>	<b>7,596</b>	<b>15,386</b>	-	-	-	<b>+863</b>
Functional Fluids	+10.9%	+10.8%	+14.4%	+16.0%	+7.8%	+10.1%	-	-	-	-
Synthetic Lubricants	(0.1%)	(4.1%)	(9.7%)	(13.7%)	(40.0%)	(38.7%)	-	-	-	-
Liquid Paraffins & Sulfonates	+11.9%	+11.0%	+10.5%	+9.0%	+10.6%	+4.6%	-	-	-	-
Hot Melt Adhesives	+8.2%	+12.9%	+14.1%	+13.0%	+16.6%	+11.7%	-	-	-	-
Energy Device Materials	(21.3%)	(34.5%)	(35.1%)	(11.8%)	(31.9%)	(35.7%)	-	-	-	-
Other	(29.5%)	(5.4%)	(6.7%)	+3.6%	+26.4%	+5.3%	-	-	-	-
<b>Sales (YoY)</b>	<b>+5.9%</b>	<b>+8.7%</b>	<b>+10.1%</b>	<b>+11.1%</b>	<b>+7.7%</b>	<b>+5.9%</b>	-	-	-	-
Functional Fluids	48.5%	48.4%	49.3%	49.8%	48.6%	50.3%	-	-	-	-
Synthetic Lubricants	7.1%	6.8%	6.1%	5.6%	4.0%	3.9%	-	-	-	-
Liquid Paraffins & Sulfonates	12.8%	12.8%	12.7%	12.5%	13.1%	12.6%	-	-	-	-
Hot Melt Adhesives	25.7%	25.8%	25.8%	25.3%	27.8%	27.3%	-	-	-	-
Energy Device Materials	0.6%	0.6%	0.6%	0.7%	0.4%	0.4%	-	-	-	-
Other	5.3%	5.6%	5.5%	6.1%	6.2%	5.6%	-	-	-	-
<b>Sales (Componet Percentages)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-	-	-	-
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	Q4	Net Chg.
	02/2023	02/2023	02/2023	02/2023	02/2024	02/2024	02/2024	02/2024	02/2024	
Functional Fluids	3,420	3,607	4,054	4,024	3,688	4,048	-	-	-	+441
Synthetic Lubricants	502	489	390	322	301	306	-	-	-	(183)
Liquid Paraffins & Sulfonates	902	953	994	944	998	942	-	-	-	(11)
Hot Melt Adhesives	1,809	1,945	2,047	1,863	2,108	2,086	-	-	-	+141
Energy Device Materials	45	39	44	81	30	24	-	-	-	(15)
Other	372	440	427	620	470	386	-	-	-	(54)
<b>Sales</b>	<b>7,050</b>	<b>7,473</b>	<b>7,956</b>	<b>7,854</b>	<b>7,596</b>	<b>7,790</b>	-	-	-	<b>+317</b>
Functional Fluids	+10.9%	+10.7%	+21.2%	+20.7%	+7.8%	+12.2%	-	-	-	-
Synthetic Lubricants	(0.1%)	(7.7%)	(21.4%)	(27.6%)	(40.0%)	(37.4%)	-	-	-	-
Liquid Paraffins & Sulfonates	+11.9%	+10.2%	+9.6%	+4.8%	+10.6%	(1.2%)	-	-	-	-
Hot Melt Adhesives	+8.2%	+17.6%	+16.2%	+9.7%	+16.6%	+7.2%	-	-	-	-
Energy Device Materials	(21.3%)	(45.1%)	(37.1%)	+107.7%	(31.9%)	(38.5%)	-	-	-	-
Other	(29.5%)	+32.9%	(9.0%)	+33.0%	+26.4%	(12.3%)	-	-	-	-
<b>Sales (YoY)</b>	<b>+5.9%</b>	<b>+11.4%</b>	<b>+12.9%</b>	<b>+14.1%</b>	<b>+7.7%</b>	<b>+4.2%</b>	-	-	-	-
Functional Fluids	48.5%	48.3%	51.0%	51.2%	48.6%	52.0%	-	-	-	-
Synthetic Lubricants	7.1%	6.5%	4.9%	4.1%	4.0%	3.9%	-	-	-	-
Liquid Paraffins & Sulfonates	12.8%	12.8%	12.5%	12.0%	13.1%	12.1%	-	-	-	-
Hot Melt Adhesives	25.7%	26.0%	25.7%	23.7%	27.8%	26.8%	-	-	-	-
Energy Device Materials	0.6%	0.5%	0.6%	1.0%	0.4%	0.3%	-	-	-	-
Other	5.3%	5.9%	5.4%	7.9%	6.2%	5.0%	-	-	-	-
<b>Sales (Componet Percentages)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-	-	-	-

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 02/2023	Q2 02/2023	Q3 02/2023	Q4 02/2023	Q1 02/2024	Q2 02/2024	Q3 02/2024	Q4 02/2024		
Cash and Deposit	3,812	4,166	4,172	4,256	3,935	3,756	-	-	(410)	
Accounts Receivables	7,046	7,524	7,831	7,595	7,462	7,453	-	-	(71)	
Inventory	5,727	6,102	6,311	6,306	6,451	6,378	-	-	+276	
Other	580	493	614	653	564	566	-	-	+73	
<b>Current Assets</b>	<b>17,165</b>	<b>18,285</b>	<b>18,928</b>	<b>18,810</b>	<b>18,412</b>	<b>18,153</b>	-	-	<b>(132)</b>	
Tangible Assets	8,330	8,395	8,537	8,610	8,666	9,114	-	-	+719	
Intangible Assets	614	649	643	589	749	744	-	-	+95	
Investments and Other Assets	3,583	3,764	3,820	4,002	4,068	4,166	-	-	+402	
<b>Fixed Assets</b>	<b>12,527</b>	<b>12,808</b>	<b>13,001</b>	<b>13,202</b>	<b>13,483</b>	<b>14,024</b>	-	-	<b>+1,216</b>	
<b>Deferred Assets</b>	-	-	-	6	18	32	-	-	<b>+32</b>	
<b>Total Assets</b>	<b>29,691</b>	<b>31,092</b>	<b>31,929</b>	<b>32,017</b>	<b>31,913</b>	<b>32,208</b>	-	-	<b>+1,116</b>	
Accounts Payables	4,419	4,926	5,173	5,144	4,828	4,467	-	-	(459)	
Short-Term Debt	857	1,546	1,549	2,381	2,145	2,096	-	-	+550	
Other	2,052	1,611	2,245	2,074	1,787	1,629	-	-	+18	
<b>Current Liabilities</b>	<b>7,328</b>	<b>8,083</b>	<b>8,967</b>	<b>9,599</b>	<b>8,760</b>	<b>8,192</b>	-	-	<b>+109</b>	
Long-Term Debt	457	382	307	472	942	887	-	-	+505	
Other	785	910	834	707	667	748	-	-	(162)	
<b>Fixed Liabilities</b>	<b>1,242</b>	<b>1,292</b>	<b>1,141</b>	<b>1,179</b>	<b>1,609</b>	<b>1,635</b>	-	-	<b>+343</b>	
<b>Total Liabilities</b>	<b>8,570</b>	<b>9,375</b>	<b>10,108</b>	<b>10,778</b>	<b>10,369</b>	<b>9,827</b>	-	-	<b>+452</b>	
<b>Shareholders' Equity</b>	<b>17,357</b>	<b>17,361</b>	<b>17,392</b>	<b>17,287</b>	<b>17,327</b>	<b>17,678</b>	-	-	<b>+317</b>	
Other	3,764	4,356	4,428	3,953	4,217	4,703	-	-	+347	
<b>Net Assets</b>	<b>21,121</b>	<b>21,717</b>	<b>21,820</b>	<b>21,240</b>	<b>21,544</b>	<b>22,381</b>	-	-	<b>+664</b>	
<b>Total Liabilities &amp; Net Assets</b>	<b>29,691</b>	<b>31,092</b>	<b>31,929</b>	<b>32,017</b>	<b>31,913</b>	<b>32,208</b>	-	-	<b>+1,116</b>	
Equity Capital	18,492	18,945	19,016	18,533	18,743	19,418	-	-	+473	
Interest Bearing Debt	1,314	1,928	1,856	2,853	3,087	2,983	-	-	+1,055	
<b>Net Debt</b>	<b>(2,498)</b>	<b>(2,238)</b>	<b>(2,316)</b>	<b>(1,403)</b>	<b>(848)</b>	<b>(773)</b>	-	-	<b>+1,465</b>	
Equity Ratio	62.3%	60.9%	59.6%	57.9%	58.7%	60.3%	-	-	-	
Net Debt Equity Ratio	(13.5%)	(11.8%)	(12.2%)	(7.6%)	(4.5%)	(4.0%)	-	-	-	
ROE (12 months)	5.8%	5.2%	4.4%	3.4%	2.8%	3.5%	-	-	-	
ROA (12 months)	6.1%	5.8%	4.7%	3.4%	3.1%	3.6%	-	-	-	
Days for Inventory Turnover	104	101	99	97	106	102	-	-	-	
Quick Ratio	148%	145%	134%	123%	130%	137%	-	-	-	
Current Ratio	234%	226%	211%	196%	210%	222%	-	-	-	

Source: Company Data, WRJ Calculation

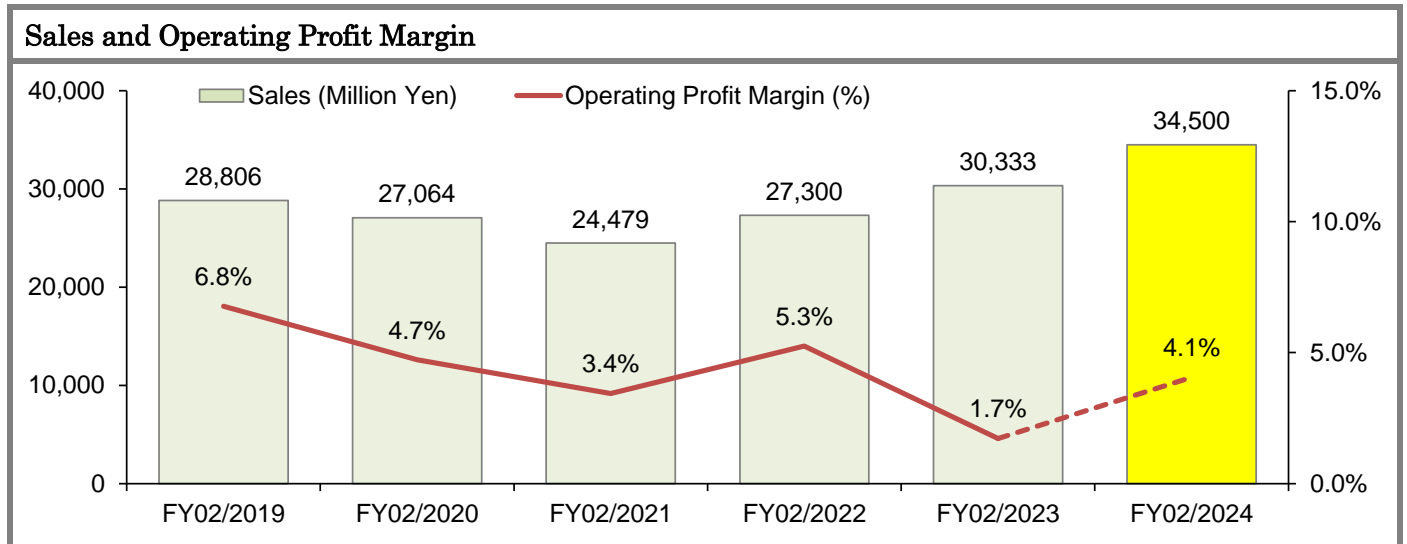
## Cash Flow Statement (Cumulative)

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 02/2023	Q1 to Q2 02/2023	Q1 to Q3 02/2023	Q1 to Q4 02/2023	Q1 02/2024	Q1 to Q2 02/2024	Q1 to Q3 02/2024	Q1 to Q4 02/2024		
Operating Cash Flow	-	535	-	515	-	1,004	-	-	+469	
Investing Cash Flow	-	(718)	-	(1,172)	-	(1,305)	-	-	(587)	
<b>Operating Cash Flow and Investing Cash Flow</b>	<b>-</b>	<b>(183)</b>	<b>-</b>	<b>(657)</b>	<b>-</b>	<b>(301)</b>	<b>-</b>	<b>-</b>	<b>(118)</b>	
Financing Cash Flow	-	487	-	1,227	-	(115)	-	-	(602)	

Source: Company Data, WRJ Calculation

### Long-Term Prospects

FY02/2024 initial Company forecasts, announced on 11 April 2023, have remained unchanged, 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). By the way, Company forecasts do not assume any exchange gain nor loss versus gain of ¥295m for the actual results of FY02/2023. With respect to planned annual dividend, meanwhile, Company forecasts have also remained unchanged, going for ¥45.00 per share, implying payout ratio of 59.3%, for FY02/2024, comprising common dividend of ¥40.00, unchanged from the FY02/2023 results and commemorative dividend of ¥5.00 to be added for the 65th anniversary of foundation in October 2023.



Source: Company Data, WRJ Calculation

Meanwhile, 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.



## FY02/2024 Company Forecasts and Actual Results

Consolidated Fiscal Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
FY02/2024CoE	11-Apr-23	Q4 Results	34,500	1,400	1,600	700
FY02/2024CoE	12-Jul-23	Q1 Results	34,500	1,400	1,600	700
FY02/2024CoE	12-Oct-23	Q2 Results	34,500	1,400	1,600	700
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
FY02/2024CoE	11-Apr-23	Q4 Results	34,500	1,400	1,600	700
FY02/2024CoE	12-Oct-23	Q2 Results	34,500	1,400	1,600	700
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q1 to Q2 FY02/2024CoE	11-Apr-23	Q4 Results	-	-	-	-
Q1 to Q2 FY02/2024CoE	12-Jul-23	Q1 Results	-	-	-	-
Q1 to Q2 FY02/2024Act	12-Oct-23	Q2 Results	15,386	528	933	569
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Q1 to Q2 FY02/2024CoE	11-Apr-23	Q4 Results	-	-	-	-
Q1 to Q2 FY02/2024Act	12-Oct-23	Q2 Results	15,386	528	933	569
		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 FY02/2024CoE	11-Apr-23	Q4 Results	-	-	-	-
Q3 to Q4 FY02/2024CoE	12-Jul-23	Q1 Results	-	-	-	-
Q3 to Q4 FY02/2024CoE	12-Oct-23	Q2 Results	19,114	872	667	131
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Q3 to Q4 FY02/2024CoE	11-Apr-23	Q4 Results	-	-	-	-
Q3 to Q4 FY02/2024CoE	12-Oct-23	Q2 Results	19,114	872	667	131
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-

Source: Company Data, WRJ Calculation

## 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.
<b>Sales</b>	<b>28,806</b>	<b>27,064</b>	<b>24,479</b>	<b>27,300</b>	<b>30,333</b>	<b>34,500</b>	<b>+4,167</b>
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	-	-
<b>Operating Profit</b>	<b>1,950</b>	<b>1,279</b>	<b>842</b>	<b>1,434</b>	<b>523</b>	<b>1,400</b>	<b>+877</b>
Non-Operating Balance	252	289	188	577	523	200	(323)
<b>Recurring Profit</b>	<b>2,202</b>	<b>1,568</b>	<b>1,030</b>	<b>2,011</b>	<b>1,046</b>	<b>1,600</b>	<b>+554</b>
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	-	-
<b>Profit Attributable to Owners of Parent</b>	<b>1,438</b>	<b>776</b>	<b>518</b>	<b>1,808</b>	<b>615</b>	<b>700</b>	<b>+85</b>
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 (Thailand, Indonesia and India)	4,740	4,427	3,671	4,501	5,870	-	-
North America	786	713	631	789	1,011	-	-
<b>Sales</b>	<b>28,806</b>	<b>27,064</b>	<b>24,479</b>	<b>27,300</b>	<b>30,333</b>	<b>34,500</b>	<b>+4,167</b>
Japan	1,229	909	438	805	33	-	-
China	305	251	350	432	311	-	-
Southeast/South Asia (Thailand, Indonesia and India)	351	143	6	86	123	-	-
North America	(6)	(21)	43	107	87	-	-
<b>Segment Profit</b>	<b>1,878</b>	<b>1,283</b>	<b>837</b>	<b>1,431</b>	<b>553</b>	<b>-</b>	<b>-</b>
Adjustments	72	(4)	5	4	(30)	-	-
<b>Operating Profit</b>	<b>1,950</b>	<b>1,279</b>	<b>842</b>	<b>1,434</b>	<b>523</b>	<b>1,400</b>	<b>+877</b>
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 (Thailand, Indonesia and India)	7.4%	3.2%	0.2%	1.9%	2.1%	-	-
North America	(0.8%)	(2.9%)	6.8%	13.6%	8.6%	-	-
<b>Segment Profit Margin</b>	<b>6.5%</b>	<b>4.7%</b>	<b>3.4%</b>	<b>5.2%</b>	<b>1.8%</b>	<b>-</b>	<b>-</b>
Adjustments	0.2%	(0.0%)	0.0%	0.0%	(0.1%)	-	-
<b>Operating Profit Margin</b>	<b>6.8%</b>	<b>4.7%</b>	<b>3.4%</b>	<b>5.3%</b>	<b>1.7%</b>	<b>4.1%</b>	<b>+2.3%</b>

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
<b>Chemical Business</b>	<b>28,752</b>	<b>27,011</b>	<b>24,425</b>	<b>27,292</b>	<b>30,333</b>	<b>34,500</b>	<b>+4,167</b>
<b>Rental Building Business</b>	<b>53</b>	<b>53</b>	<b>53</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sales</b>	<b>28,806</b>	<b>27,064</b>	<b>24,479</b>	<b>27,300</b>	<b>30,333</b>	<b>34,500</b>	<b>+4,167</b>
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%	-
<b>Chemical Business</b>	<b>+3.2%</b>	<b>(6.1%)</b>	<b>(9.6%)</b>	<b>+11.7%</b>	<b>+11.1%</b>	<b>+13.7%</b>	<b>-</b>
<b>Rental Building Business</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>(84.2%)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sales (YoY)</b>	<b>+3.2%</b>	<b>(6.0%)</b>	<b>(9.6%)</b>	<b>+11.5%</b>	<b>+11.1%</b>	<b>+13.7%</b>	<b>-</b>
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%	-
<b>Chemical Business</b>	<b>99.8%</b>	<b>99.8%</b>	<b>99.8%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-</b>
<b>Rental Building Business</b>	<b>0.2%</b>	<b>0.2%</b>	<b>0.2%</b>	<b>0.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sales (Composition Ratio)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-</b>

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
(Million Yen)	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	-	-
<b>Current Assets</b>	<b>15,202</b>	<b>15,436</b>	<b>15,304</b>	<b>16,607</b>	<b>18,810</b>	-	-
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	-	-
<b>Fixed Assets</b>	<b>13,054</b>	<b>12,693</b>	<b>12,403</b>	<b>12,401</b>	<b>13,202</b>	-	-
<b>Deferred Assets</b>	-	-	-	-	6	-	-
<b>Total Assets</b>	<b>28,256</b>	<b>28,129</b>	<b>27,707</b>	<b>29,008</b>	<b>32,017</b>	-	-
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	-	-
<b>Current Liabilities</b>	<b>9,103</b>	<b>8,063</b>	<b>8,121</b>	<b>7,260</b>	<b>9,599</b>	-	-
Long-Term Debt	775	1,244	775	350	472	-	-
Other	603	612	649	847	707	-	-
<b>Fixed Liabilities</b>	<b>1,378</b>	<b>1,856</b>	<b>1,424</b>	<b>1,197</b>	<b>1,179</b>	-	-
<b>Total Liabilities</b>	<b>10,480</b>	<b>9,919</b>	<b>9,545</b>	<b>8,457</b>	<b>10,778</b>	-	-
<b>Shareholders' Equity</b>	<b>15,626</b>	<b>15,939</b>	<b>15,836</b>	<b>17,227</b>	<b>17,287</b>	-	-
Other	2,149	2,270	2,327	3,324	3,953	-	-
<b>Net Assets</b>	<b>17,775</b>	<b>18,209</b>	<b>18,163</b>	<b>20,551</b>	<b>21,240</b>	-	-
<b>Total Liabilities &amp; Net Assets</b>	<b>28,256</b>	<b>28,129</b>	<b>27,707</b>	<b>29,008</b>	<b>32,017</b>	-	-
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
(Million Yen)	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)	-	-
<b>Operating Cash Flow and Investing Cash Flow</b>	<b>539</b>	<b>182</b>	<b>1,428</b>	<b>2,936</b>	<b>(657)</b>	-	-
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	75.83	-
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	75.83	-
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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