

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		31,800	1,120	1,800	1,130	122.41	45.00	-
FY02/2023	YoY	11.1%	(63.5%)	(48.0%)	(66.0%)	-	-	-
FY02/2024CoE	YoY	4.8%	114.1%	72.1%	83.7%	-	-	-
Consolidated Q1 to Q3 (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q3 FY02/2023		22,479	511	1,144	719	-	-	-
Q1 to Q3 FY02/2024		23,731	1,050	1,699	1,335	-	-	-
Q1 to Q3 FY02/2024	YoY	5.6%	105.5%	48.6%	85.8%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (14 March 2024)

Upgrading Sales Mix


MORESCO, running operations of R&D, manufacture and sale of chemical goods used in diverse applications with autos as the mainstay, has announced its 10th Midterm Management Plan (FY02/2025 to FY02/2027), revealing its policy to achieve long-term growth by means of satisfying both of Realization of a Sustainable Society and Enhancement of Added Value of Business. The management target is to see sales of ¥38,000m, operating profit of ¥2,700m and operating profit margin of 7.1% for FY02/2027, the final year of the plan. When setting the latest estimates for FY02/2024 as the point of origin, the Company is calling for CAGR of 6.1% in sales and 34.1% in operating profit during the relevant period and thus an improvement of operating profit margin by 3.6% points. The Company suggests that the measures to beef up its exposure to sales of MORESCO Green SX (MGS) Products will be contributing. With distinguished features in terms of energy conservation, environmental preservation, improvement of the work environment and reduction of CO2 emissions, some of the Company's products are highly value-added and thus carry high gross profit margin, being defined as MGS Products, while the Company sets a target to see an exposure of 40% (versus 29% for the FY02/2023 results) in sales of MGS Products for FY02/2027. In conclusion, the Company plans to upgrade sales mix, while contributing to realization of a sustainable society at the same time.

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

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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: 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
Capital	¥2,118m (as of the end of November 2023)
No. of Shares	9,696,500 shares, including 463,720 treasury shares (as of the end of Nov. 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 (Thailand, Indonesia and India) IV. North America
Representative	CEO, Representative Director and President: Motohisa Morozumi
Shareholders	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)
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 Philosophy and Management Vision

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

The Company is an independent (non-keiretsu) manufacturer of chemical goods and its management philosophy on a group basis goes a) we strive for a business group to contribute to society by means of responding to needs associated with interface science with a creed of dedication to “user-oriented research and development”, b) we provide new functionalities and services via an entrance into new domains as interface science specialist and c) we strive for a business group to create new values together with development of a workplace that has a high regard for humanity and free-flowing thoughts, while advocating “MORESCO Group Delivers Sustainable One-of-a-kind Products / Contributing to a Bright Future as a Specialist in Interface Science” as its management vision on a group basis at the same time.

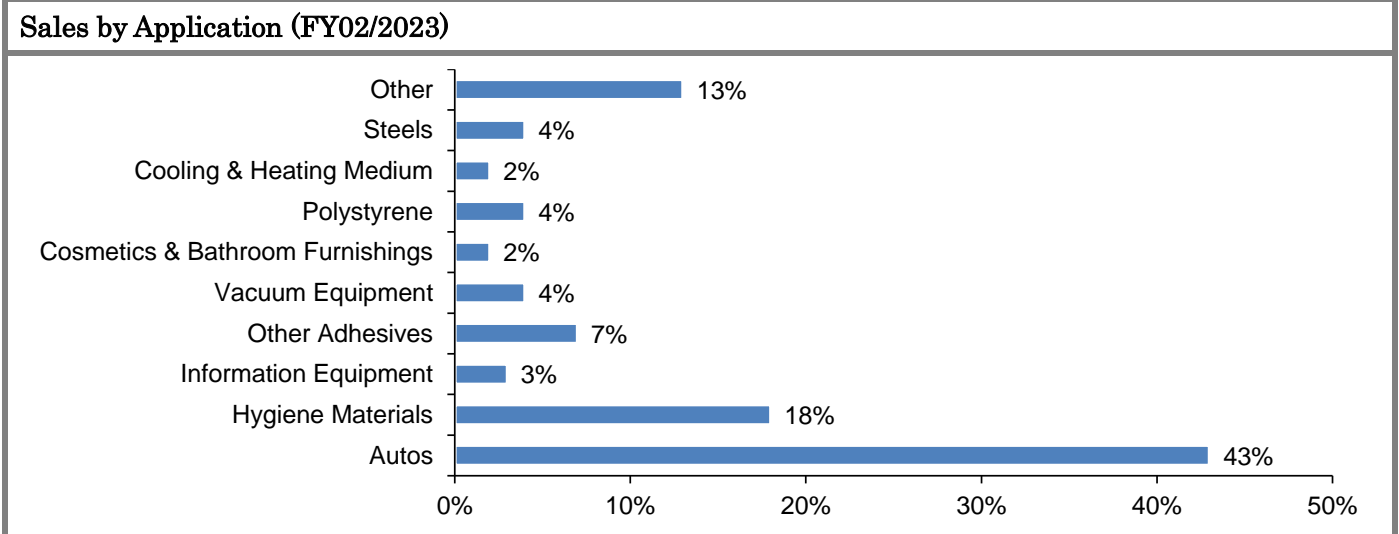
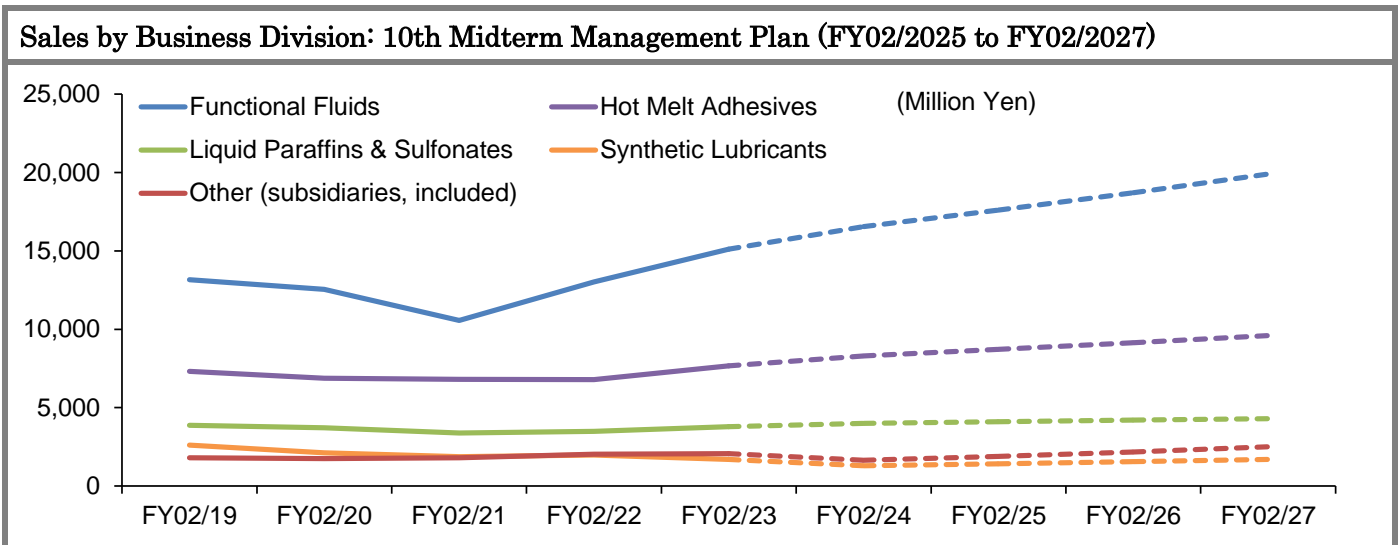
Head Office & R&D Center



Source: Company Data

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 in niche markets, which has been achieved to more than a certain extent. The Company suggests that it has continued generating unique products and/or leading-market-share products since the foundation in 1958 by means of leveraging technology on blending, synthesizing and refining. As an example of unique products, the Company mentions high-temperature grease base oils for autos (commanding 100% share in the market for Japan, based on own research), while water-glycol fireproof fluids (70%), high-vacuum pump oils (70%) and diecasting lubricants (50%) as examples of leading-market-share products. By the way, 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 all have an aspect of being involved with some of the functionalities and this is the reason why the Company is regarded as Interface Science Specialist.

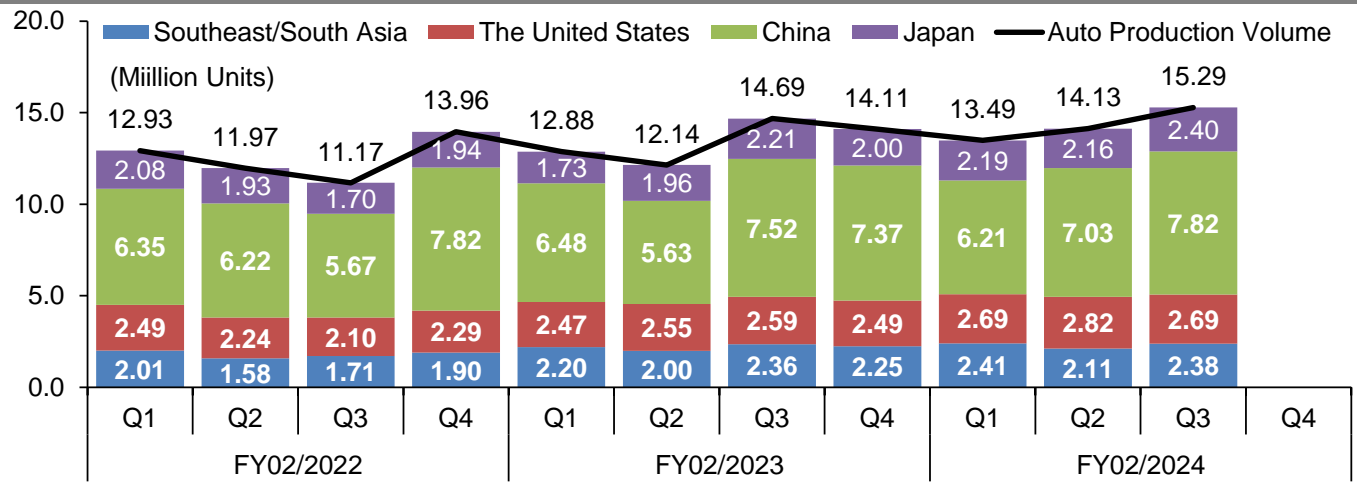


Source: Company Data, WRJ Calculation

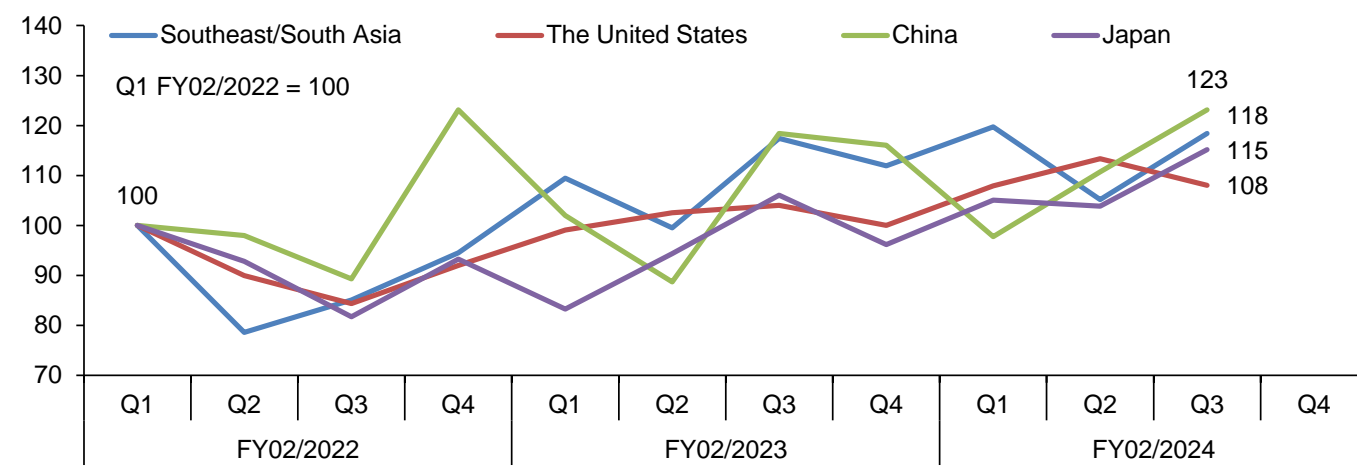
Auto Production Volume

For FY02/2023, autos accounted for 43% of the Company's sales by application. In light of this, it appears that the Company's performance has a lot to do with trends 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 for the FY02/2023 results) 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.

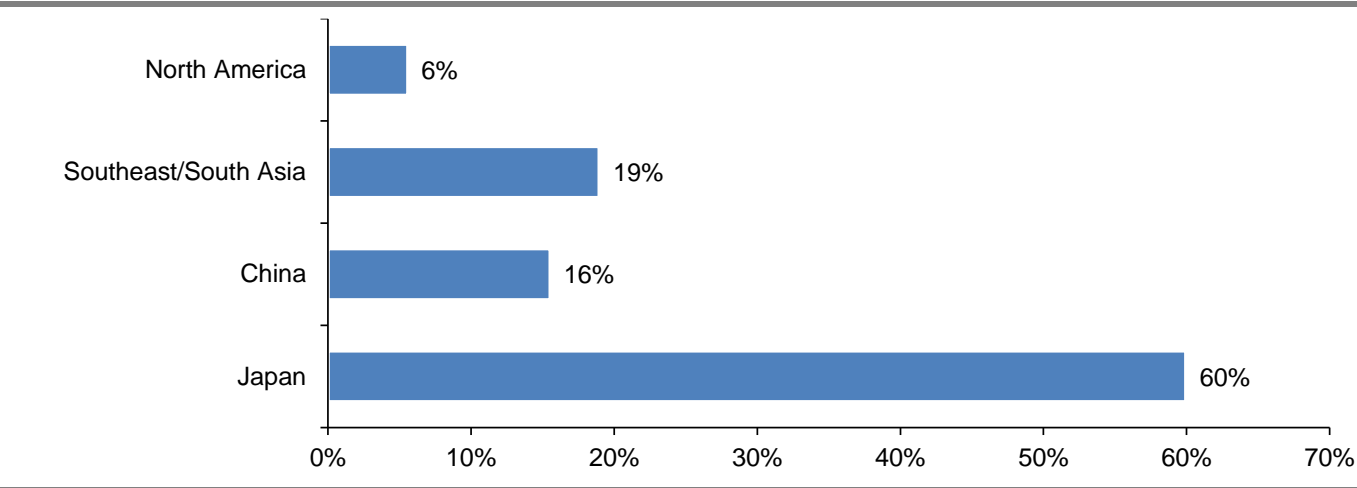
Auto Production Volume



Auto Production Volume (index)

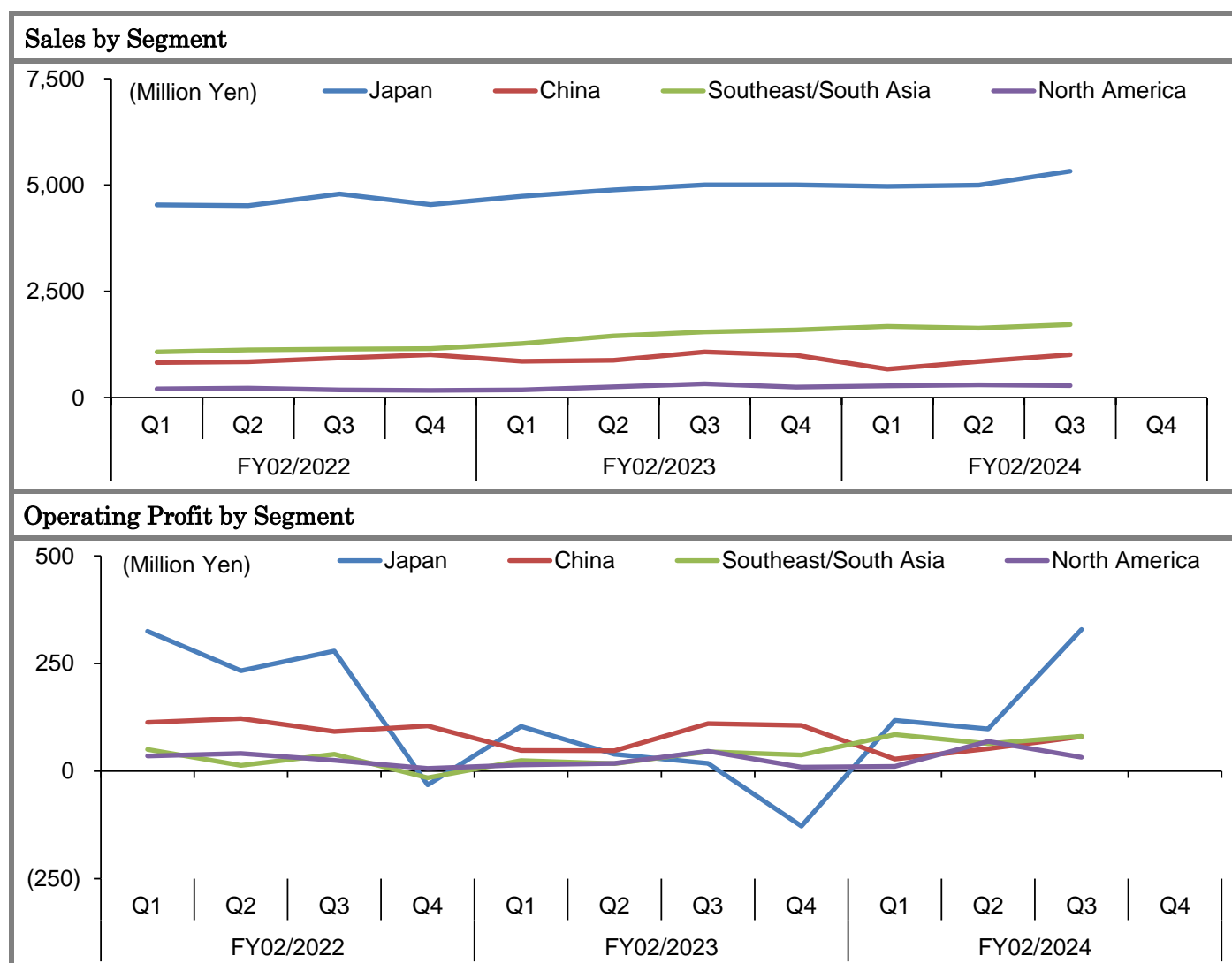


Sales Breakdown by Region on the Functional Fluids side (Q1 to Q3 FY02/2024)



Source: Company Data, WRJ Calculation

For Q1 to Q3 FY02/2024, the auto production volume in Japan came in at 6.74m units (up 14% YoY), China 21.06m units (up 7%), the United States 8.20m units (up 8%) and Southeast/South Asia (Thailand, Indonesia and India) 6.90m units (up 5%), collectively, 42.90m units (up 8%) in the locations where the Company runs its operations. By the way, all those numbers are based on data from MarkLines and the actual results of the relevant accounting period (March 2023 to November 2023) have been reflected for Japan versus those of the local accounting period (January 2023 to September 2023) for operations overseas, which are run by local subsidiaries with a fiscal yearend of December. Consequently, all the auto production volume mentioned here corresponds to the Company's performance for Q1 to Q3.

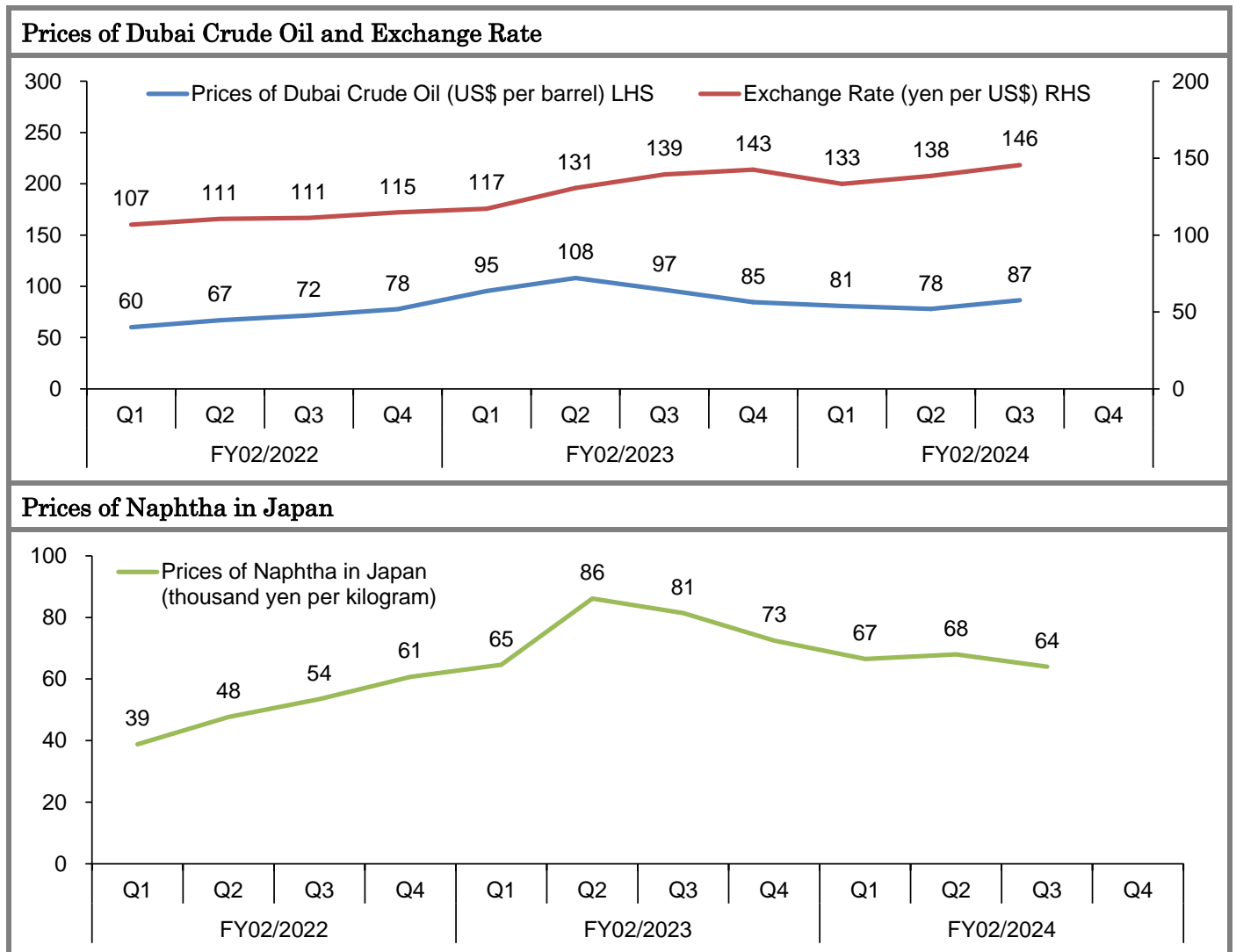


Source: Company Data, WRJ Calculation

In terms of sales breakdown by region on the Functional Fluids side, accounting for the bulk of sales associated with autos, 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. As for the trends since the beginning of FY02/2024, the production volume remained flat from Q1 to Q2 due to the effects of production cutbacks caused by shortage of semiconductors, etc., but the auto production volume in Japan increased significantly from Q2 to Q3, which appears to be one of the factors for improved earnings for the Company as a whole.

Raw Material Procurement Costs

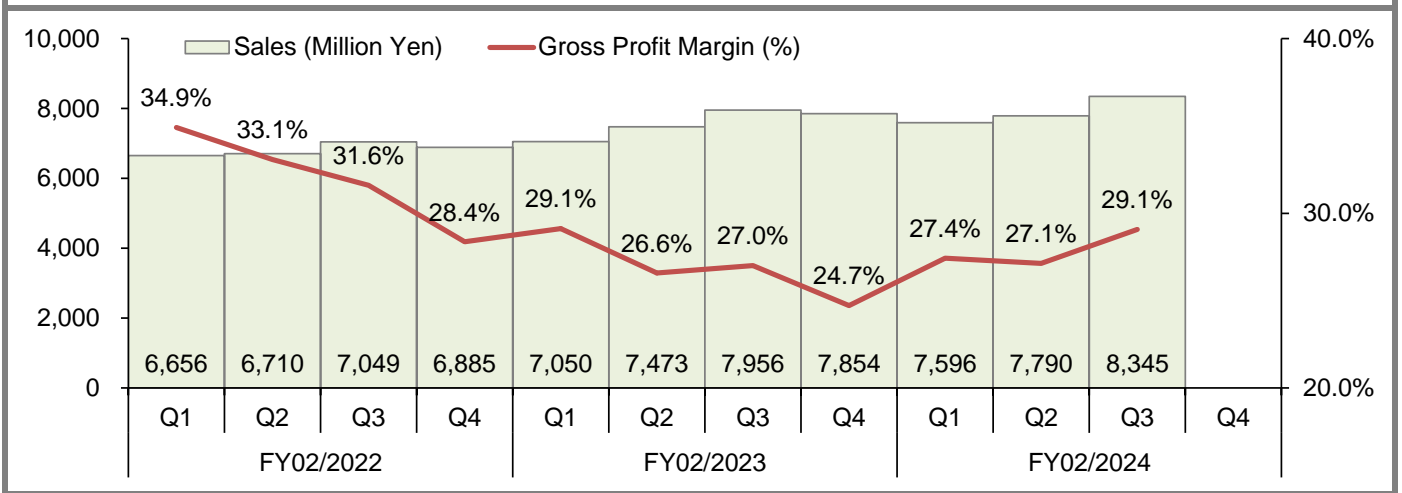
The Company is deeply involved with procurement of raw materials derived from naphtha (crude gasoline) and thus changes in prices of crude oil inevitably give a significant impact on the Company's raw material procurement costs. As indicators for the trends of raw material procurement costs, the Company 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

Prices of naphtha in Japan had been on a sustained upward trend by Q2 FY02/2023. In response, the Company had been making a revision on selling prices of its products to cope with this, but there is an aspect that it inevitably takes a certain time lag from the timing of such a rise in raw material procurement costs to the timing for the rise being passed on to selling prices of the Company's products. In fact, prices of naphtha in Japan had been on a sustainable upward trend, as above-mentioned, the impact of this time lag had been also persisting, which is the key reason for a consistently declining gross profit margin for the Company as a whole, as far as we could see.

Sales and Gross Profit Margin



Source: Company Data, WRJ Calculation

Most recently, however, the Company sees a V-shaped recovery in its gross profit margin after bottoming out for Q4 FY02/2023. Since the beginning of FY02/2024, a stability has come to stay for raw material procurement costs, consistently cutting back on the impact of the above-mentioned time lag as far as we could gather. With respect to exchange rate, the recent trend of yen's depreciation is a concern for a rise in raw material procurement costs for the time being. Still, yen's depreciation also gives rise to higher selling prices overseas in terms of yen, while the Company estimates the net impact of yen's depreciation to the Company's earnings is more like positive in this point of view.

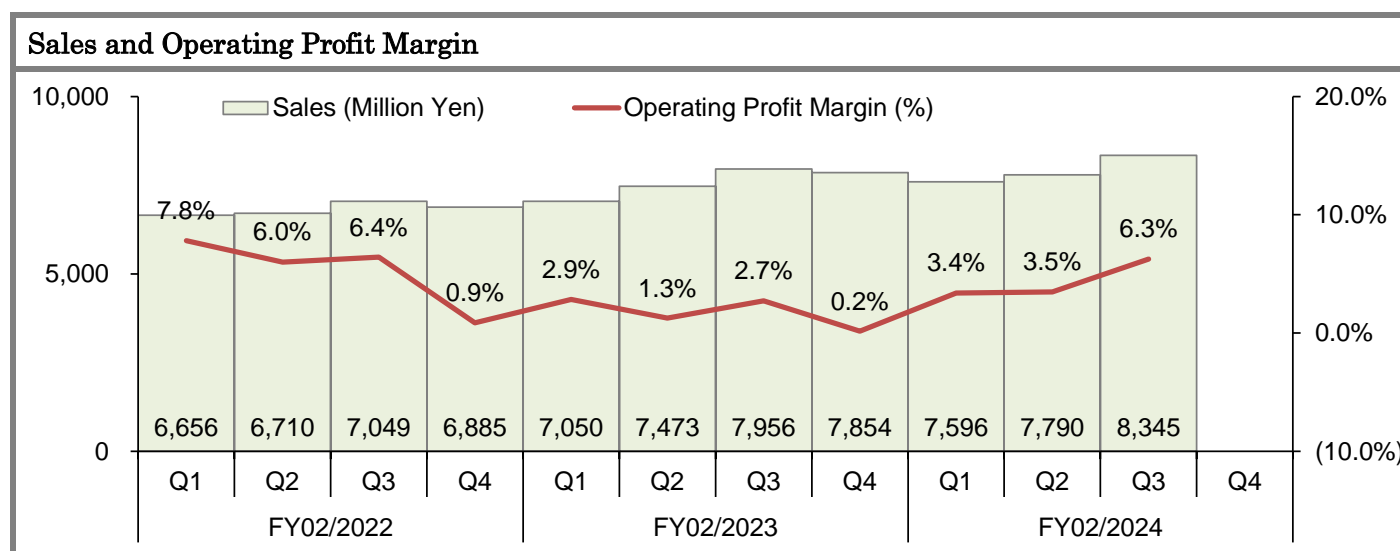
Company History (extract)

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 diecasting 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 diecasting 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 Q3 FY02/2024

For Q1 to Q3 FY02/2024, sales came in at ¥23,731m (up 5.6% YoY), operating profit ¥1,050m (up 105.5%), recurring profit ¥1,699m (up 48.6%) and profit attributable to owners of parent ¥1,335m (up 85.8%). Meanwhile, gross profit came in at ¥6,623m (up 7.0%) and SG&A expenses ¥5,572m (down 1.8%), implying gross profit margin of 27.9% (up 0.4% points) and SG&A ratio of 23.5% (down 1.8% points), having resulted in operating profit margin of 4.4% (up 2.2% points).



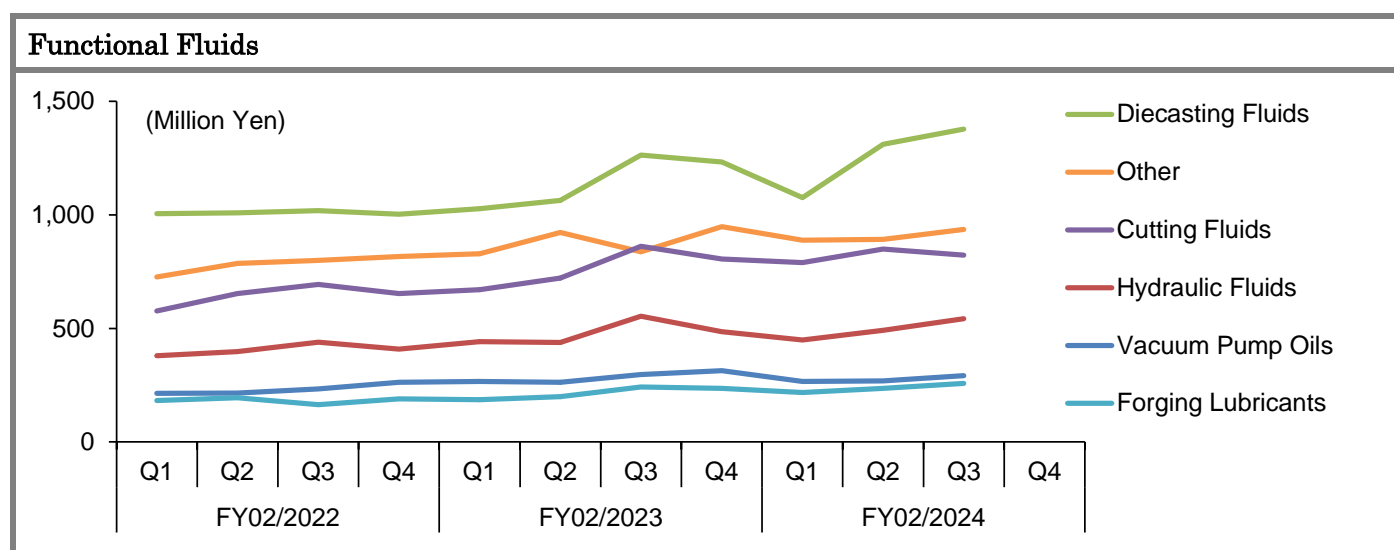
Source: Company Data, WRJ Calculation

In Japan, sales came in at ¥15,295m (up 4.6%), segment profit ¥545m (up 238.2%) and segment profit margin 3.6% (up 2.5 % points). This performance in Japan had a significant impact on the trend of the Company's sales and operating profit, having accounted for 64.5% of sales and 52.1% of segment profit.

In spite of the fact that sales volume has declined over the same period of the previous year, sales have favorably increased due to the impact of considerably higher selling prices, according to the Company. One of the reasons for the year-on-year decline in sales volume is that sales volume on the mainstay Functional Fluids side has declined. Given an increase in local auto production volume, the Company saw a year-on-year increase in sales volume for diecasting fluids, the mainstay by product, comprising diecasting lubricants and plunger lubricants, as well as for forging lubricants, but this was more than offset by a decline for fireproof hydraulic fluids and cooling & heating medium. Nevertheless, the Company saw a strength on sales volume for representative products of MORESCO Green SX (GSX) Products, i.e., water-soluble, low-volume application mold release agents (attributable to diecasting lubricants), for which demand is picking up sharply with a capability to contribute to energy conservation, environmental preservation and improvement of the work environment. All those products are highly value-added and thus carry high gross profit margin as well as high selling prices, presumably having driven the considerably higher selling prices in Japan.

Functional Fluids: 50.4% of Sales

For Q1 to Q3 FY02/2024, sales came in at ¥11,965m (up 8.0%), while FY02/2024 Company forecasts are going for prospective sales of ¥16,550m (up 9.6%). At the same time, the midterm management plan assumes sales of ¥19,900m for FY02/2027, the final year of the plan, implying CAGR of 6.3% during the period of the plan, when setting the latest estimates (Company forecasts) for FY02/2024 as the point of origin.



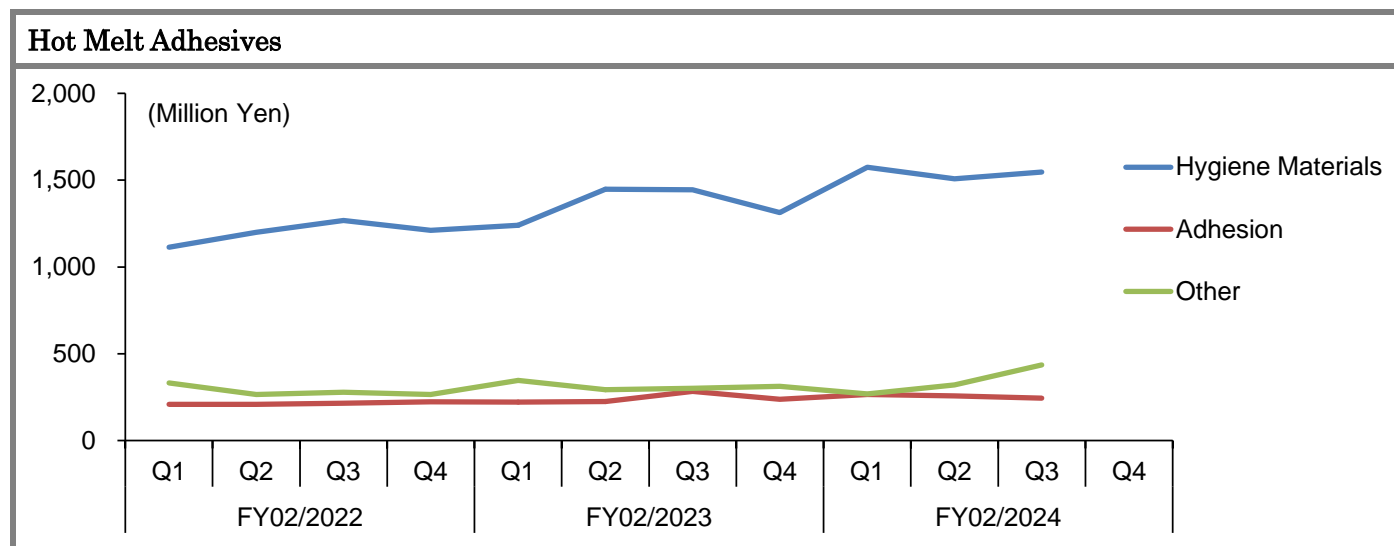
Source: Company Data

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 the Company 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, 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 local supply of products 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 also 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. Meanwhile, the Company suggests that this deal is to significantly contribute to increase in sales for FY02/2025 over FY02/2024. Sales stemming from here are booked for a limited period of time for FY02/2024 versus on a full-year basis for FY02/2025 and thereafter.

Hot Melt Adhesives: 27.0% of Sales

For Q1 to Q3 FY02/2024, sales came in at ¥6,419m (up 10.7%), while FY02/2024 Company forecasts are going for prospective sales of ¥8,300m (up 8.3%). At the same time, the midterm management plan assumes sales of ¥9,600m for FY02/2027, the final year of the plan, implying CAGR of 5.0% during the period of the plan, when setting the latest estimates (Company forecasts) for FY02/2024 as the point of origin.

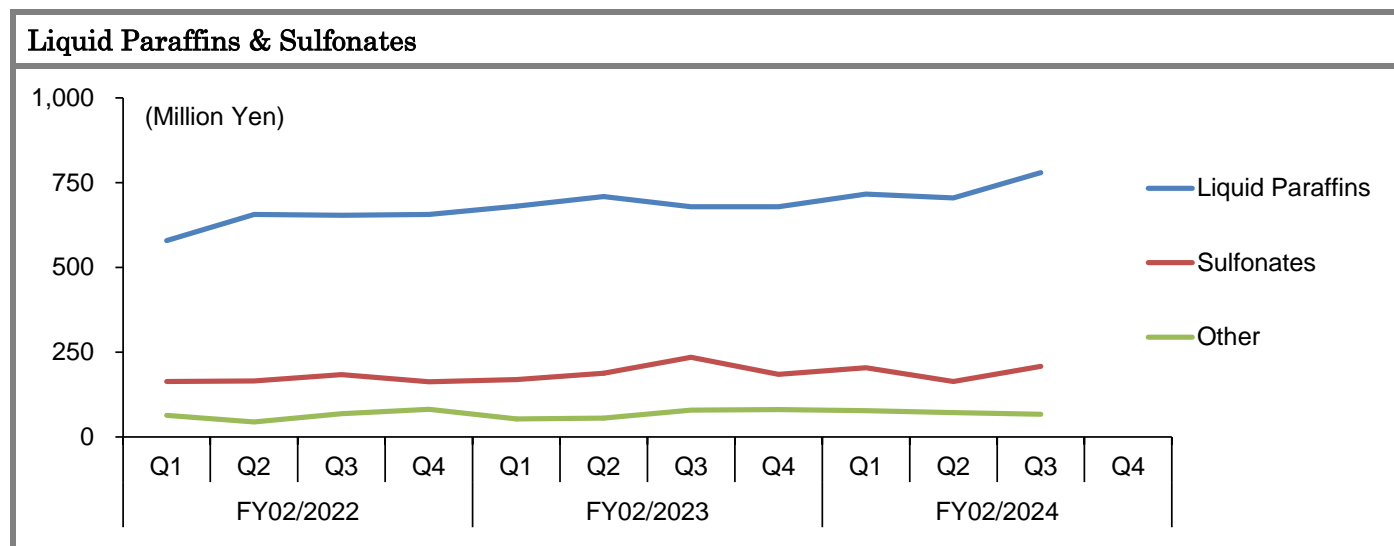


Source: Company Data

The Company suggests that sales volume has risen steadily for the mainstay hygiene materials, mainly applied for disposable diapers. In Japan, the Company has begun supplying its products to a new customer, which is mentioned as the key factor. Still, this is achieved under an intensified competition and the Company also suggests that selling prices have not risen very much, relatively speaking, while strengths on sales volume are continuing in Southeast/South Asia (Thailand, Indonesia and India). By the way, according to the Company, the technology it has developed on this side is used as an element in its project of development to make perovskite solar cells commercially viable.

Liquid Paraffins & Sulfonates: 12.6% of Sales

For Q1 to Q3 FY02/2024, sales came in at ¥2,993m (up 5.1%), while FY02/2024 Company forecasts are going for prospective sales of ¥4,000m (up 5.5%). At the same time, the midterm management plan assumes sales of ¥4,300m for FY02/2027, the final year of the plan, implying CAGR of 2.4% during the period of the plan, when setting the latest estimates (Company forecasts) for FY02/2024 as the point of origin.

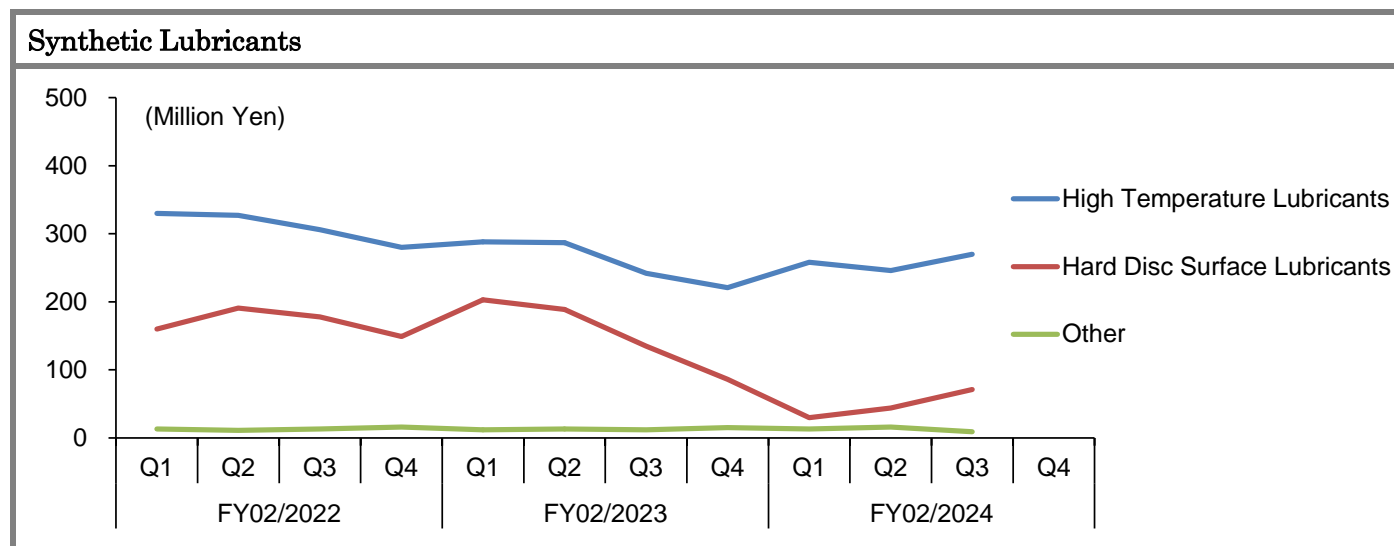


Source: Company Data

The Company suggests that sales volume of the mainstay liquid paraffins is declining over the same period of the previous year, but this is more than compensated for by higher selling prices, realizing an increase in sales. A decline in sales volume is basically attributable to stagnated demand associated with the key application of polystyrene plasticizers (e.g., additives used in food tray manufacturing). According to the Company, this has a lot to do with a factor that special demand generated by coronavirus catastrophe is falling off. The catastrophe triggered a shift from eating out to eating in (eating food prepared from ingredients at home), which drove demand for food trays, etc. for a period of time. Meanwhile, such demand is now not reappearing.

Synthetic Lubricants: 4.0% of Sales

For Q1 to Q3 FY02/2024, sales came in at ¥957m (down 30.7%), while FY02/2024 Company forecasts are going for prospective sales of ¥1,300m (down 23.7%). At the same time, the midterm management plan assumes sales of ¥1,700m for FY02/2027, the final year of the plan, implying CAGR of 9.4% during the period of the plan, when setting the latest estimates (Company forecasts) for FY02/2024 as the point of origin.

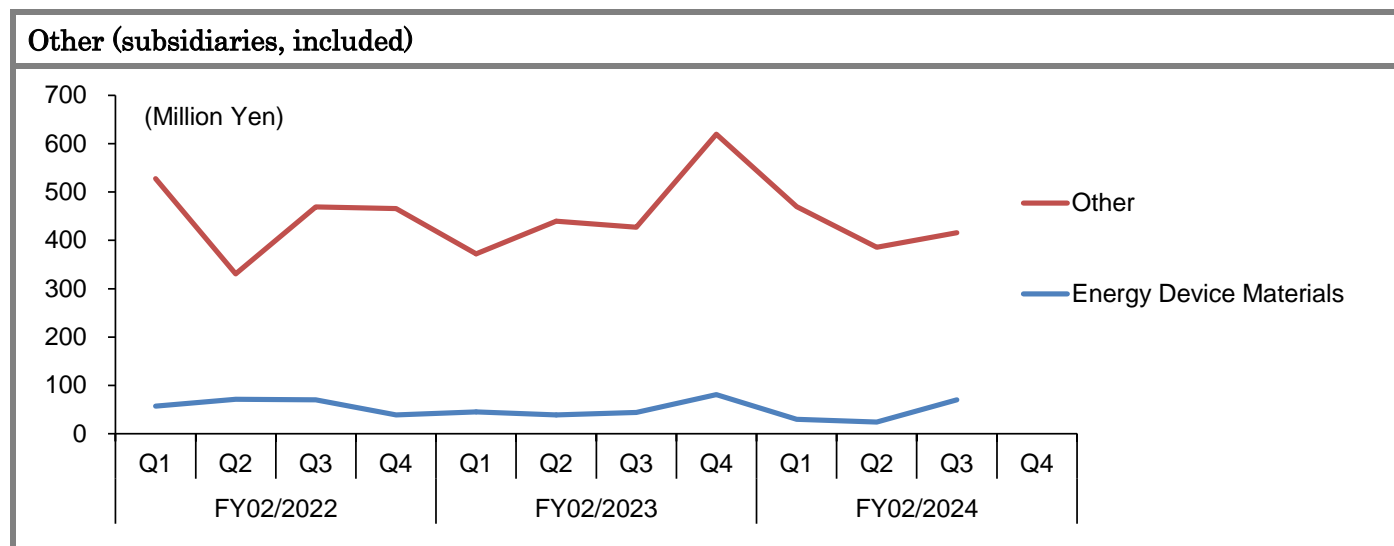


Source: Company Data

Sales of hard disc surface lubricants have remained sluggish for some time. Even so, the Company is focusing on product development for the targeted market in anticipation of the expansion of next-generation data centers. Further, the Company is putting emphasis on the development of fluorine-substitute lubricants for semiconductor manufacturing (front-end process) and inspection equipment for sale as well as accelerating its overseas development of ADE-related products at the same time, so that sales on this side should increase during the period of the midterm management plan.

Other (subsidiaries, included): 5.9% of Sales

For Q1 to Q3 FY02/2024, sales came in at ¥1,396m (up 2.1%), while FY02/2024 Company forecasts are going for prospective sales of ¥1,650m (down 20.2%). At the same time, the midterm management plan assumes sales of ¥2,500m for FY02/2027, the final year of the plan, implying CAGR of 14.9% during the period of the plan, when setting the latest estimates (Company forecasts) for FY02/2024 as the point of origin.



Source: Company Data

Meanwhile, sales on the Other side came in at ¥1,272m (up 2.6%) and sales on the Energy Device Materials side ¥124m (down 3.3%). In the first place, they are the two independent business divisions to compose the Company's business, while the midterm management plan treats them together as a single business division. The bulk of sales on the Other side is generated by those of wastewater treatment equipment and wastewater treatment agents (consumables), for which MATSUKEN CO., LTD (a wholly owned subsidiary) is responsible as a technology consulting firm. Most recently, order intake is slowing for the equipment and short-term sales are to be rather adjusted, according to the Company.

Meanwhile, on the Energy Device Materials side, the Company is developing, manufacturing and selling sealants used in organic EL and related equipment. More importantly, the Company is running the development to make perovskite solar cells commercially viable through diversions and/or applications of the technology and know-how cultivated here, along with those of being cultivated on the Hot Melt Adhesives side. The Company is currently in the phase of enhancing performance of sealants, one of the key components, while future manufacture on a commercial basis and sale being in sight. The Company suggests that it aims to bring products to the market by around December 2026, which are compatible with the practical applications for perovskite solar cells. However, the midterm management plan assumes no sales attributable to this.

In light of their excellent features in diverse aspects, everyone agrees that the marketability potential of perovskite solar cells in the future is remarkably huge. On the other hand, one of the major challenges to make them commercially viable is to provide the lack of durability with a solution. The Company is participating in a consortium headed by Professor Miyasaka of TOIN UNIVERSITY OF YOKOHAMA, who is a key person in the development of solar cells using perovskite crystals, while being in the phase of developing prototypes (high-performance sealants) to contribute to extension of durability by means of leveraging distinguished features of own sealants to “generate no damage to perovskite elements even when directly bonded” and “exhibit excellent adhesion simply by bonding to a base material (heating nor UV treatment, not required).”

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
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1 to Q4	
(Million Yen)	02/2023	02/2023	02/2023	02/2023	02/2024	02/2024	02/2024	02/2024	02/2024	Net Chg.
Sales	7,050	14,523	22,479	30,333	7,596	15,386	23,731	-	-	+1,252
Cost of Sales	4,997	10,484	16,291	22,204	5,513	11,188	17,108	-	-	+817
Gross Profit	2,053	4,039	6,188	8,129	2,083	4,197	6,623	-	-	+435
SG&A Expenses	1,852	3,744	5,677	7,606	1,826	3,669	5,572	-	-	(105)
Operating Profit	201	295	511	523	257	528	1,050	-	-	+539
Non-Operating Balance	270	551	633	523	138	405	649	-	-	+16
Recurring Profit	471	846	1,144	1,046	395	933	1,699	-	-	+555
Extraordinary Balance	-	-	-	-	-	-	250	-	-	+250
Profit before Income Taxes	471	846	1,144	1,046	395	933	1,949	-	-	+805
Total Income Taxes	116	286	347	320	125	262	455	-	-	+108
Profit Attributable to Non-Controlling Interests	38	56	78	112	47	102	159	-	-	+81
Profit Attributable to Owners of Parent	317	504	719	615	224	569	1,335	-	-	+616
Sales YoY	+5.9%	+8.7%	+10.1%	+11.1%	+7.7%	+5.9%	+5.6%	-	-	-
Operating Profit YoY	(61.4%)	(68.0%)	(62.8%)	(63.5%)	+28.0%	+78.8%	+105.5%	-	-	-
Recurring Profit YoY	(34.7%)	(27.3%)	(34.0%)	(48.0%)	(16.1%)	+10.4%	+48.6%	-	-	-
Profit Attributable to Owners of Parent YoY	(71.0%)	(62.9%)	(58.5%)	(66.0%)	(29.5%)	+13.0%	+85.8%	-	-	-
Gross Profit Margin	29.1%	27.8%	27.5%	26.8%	27.4%	27.3%	27.9%	-	-	+0.4%
SG&A Ratio	26.3%	25.8%	25.3%	25.1%	24.0%	23.8%	23.5%	-	-	(1.8%)
Operating Profit Margin	2.9%	2.0%	2.3%	1.7%	3.4%	3.4%	4.4%	-	-	+2.2%
Recurring Profit Margin	6.7%	5.8%	5.1%	3.4%	5.2%	6.1%	7.2%	-	-	+2.1%
Profit Attributable to Owners of Parent Margin	4.5%	3.5%	3.2%	2.0%	2.9%	3.7%	5.6%	-	-	+2.4%
Total Income Taxes / Profit before Income Taxes	24.6%	33.8%	30.3%	30.6%	31.6%	28.1%	23.3%	-	-	(7.0%)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4	
(Million Yen)	02/2023	02/2023	02/2023	02/2023	02/2024	02/2024	02/2024	02/2024	02/2024	Net Chg.
Sales	7,050	7,473	7,956	7,854	7,596	7,790	8,345	-	-	+389
Cost of Sales	4,997	5,487	5,807	5,913	5,513	5,675	5,920	-	-	+113
Gross Profit	2,053	1,986	2,149	1,941	2,083	2,114	2,426	-	-	+277
SG&A Expenses	1,852	1,892	1,933	1,929	1,826	1,843	1,903	-	-	(30)
Operating Profit	201	94	216	12	257	271	522	-	-	+306
Non-Operating Balance	270	281	82	(110)	138	267	244	-	-	+162
Recurring Profit	471	375	298	(98)	395	538	766	-	-	+468
Extraordinary Balance	-	-	-	-	-	-	250	-	-	+250
Profit before Income Taxes	471	375	298	(98)	395	538	1,016	-	-	+718
Total Income Taxes	116	170	61	(27)	125	137	193	-	-	+132
Profit Attributable to Non-Controlling Interests	38	18	22	34	47	55	57	-	-	+35
Profit Attributable to Owners of Parent	317	187	215	(104)	224	345	766	-	-	+551
Sales YoY	+5.9%	+11.4%	+12.9%	+14.1%	+7.7%	+4.2%	+4.9%	-	-	-
Operating Profit YoY	(61.4%)	(76.7%)	(52.2%)	(79.7%)	+28.0%	+188.3%	+141.7%	-	-	-
Recurring Profit YoY	(34.7%)	(15.2%)	(47.6%)	-	(16.1%)	+43.5%	+157.0%	-	-	-
Profit Attributable to Owners of Parent YoY	(71.0%)	(29.2%)	(42.0%)	-	(29.5%)	+84.5%	+256.3%	-	-	-
Gross Profit Margin	29.1%	26.6%	27.0%	24.7%	27.4%	27.1%	29.1%	-	-	+2.1%
SG&A Ratio	26.3%	25.3%	24.3%	24.6%	24.0%	23.7%	22.8%	-	-	(1.5%)
Operating Profit Margin	2.9%	1.3%	2.7%	0.2%	3.4%	3.5%	6.3%	-	-	+3.5%
Recurring Profit Margin	6.7%	5.0%	3.7%	(1.2%)	5.2%	6.9%	9.2%	-	-	+5.4%
Profit Attributable to Owners of Parent Margin	4.5%	2.5%	2.7%	(1.3%)	2.9%	4.4%	9.2%	-	-	+6.5%
Total Income Taxes / Profit before Income Taxes	24.6%	45.3%	20.5%	27.6%	31.6%	25.5%	19.0%	-	-	(1.5%)

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 02/2023	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		
Japan	4,738	9,624	14,629	19,637	4,968	9,966	15,295	-	+666	
China	854	1,737	2,813	3,814	670	1,522	2,532	-	(281)	
Southeast/South Asia (Thailand, Indonesia and India)	1,276	2,726	4,274	5,870	1,679	3,313	5,031	-	+757	
North America	182	436	762	1,011	278	584	872	-	+110	
Sales	7,050	14,523	22,479	30,333	7,596	15,386	23,731	-	+1,252	
Japan	104	143	161	33	118	216	545	-	+384	
China	48	95	205	311	28	80	160	-	(45)	
Southeast/South Asia (Thailand, Indonesia and India)	24	41	86	123	85	149	230	-	+144	
North America	14	32	78	87	11	80	112	-	+34	
Segment Profit	189	311	531	553	242	525	1,046	-	+515	
Adjustments	11	(16)	(20)	(30)	15	3	4	-	+24	
Operating Profit	201	295	511	523	257	528	1,050	-	+539	
Japan	2.2%	1.5%	1.1%	0.2%	2.4%	2.2%	3.6%	-	+2.5%	
China	5.6%	5.5%	7.3%	8.2%	4.2%	5.3%	6.3%	-	(1.0%)	
Southeast/South Asia (Thailand, Indonesia and India)	1.9%	1.5%	2.0%	2.1%	5.1%	4.5%	4.6%	-	+2.6%	
North America	7.7%	7.3%	10.2%	8.6%	4.0%	13.7%	12.8%	-	+2.6%	
Segment Profit Margin	2.7%	2.1%	2.4%	1.8%	3.2%	3.4%	4.4%	-	+2.0%	
Adjustments	0.2%	(0.1%)	(0.1%)	(0.1%)	0.2%	0.0%	0.0%	-	+0.1%	
Operating Profit Margin	2.9%	2.0%	2.3%	1.7%	3.4%	3.4%	4.4%	-	+2.2%	

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 02/2023	Q2 02/2023	Q3 02/2023	Q4 02/2023	Q1 02/2024	Q2 02/2024	Q3 02/2024	Q4 02/2024		
Japan	4,738	4,886	5,005	5,008	4,968	4,998	5,329	-	+324	
China	854	883	1,076	1,001	670	852	1,010	-	(66)	
Southeast/South Asia (Thailand, Indonesia and India)	1,276	1,450	1,548	1,596	1,679	1,634	1,718	-	+170	
North America	182	254	326	249	278	306	288	-	(38)	
Sales	7,050	7,473	7,956	7,854	7,596	7,790	8,345	-	+389	
Japan	104	39	18	(128)	118	98	329	-	+311	
China	48	47	110	106	28	52	80	-	(30)	
Southeast/South Asia (Thailand, Indonesia and India)	24	17	45	37	85	64	81	-	+36	
North America	14	18	46	9	11	69	32	-	(14)	
Segment Profit	189	122	220	22	242	283	521	-	+301	
Adjustments	11	(27)	(4)	(10)	15	(12)	1	-	+5	
Operating Profit	201	94	216	12	257	271	522	-	+306	
Japan	2.2%	0.8%	0.4%	(2.6%)	2.4%	2.0%	6.2%	-	+5.8%	
China	5.6%	5.3%	10.2%	10.6%	4.2%	6.1%	7.9%	-	(2.3%)	
Southeast/South Asia (Thailand, Indonesia and India)	1.9%	1.2%	2.9%	2.3%	5.1%	3.9%	4.7%	-	+1.8%	
North America	7.7%	7.1%	14.1%	3.6%	4.0%	22.5%	11.1%	-	(3.0%)	
Segment Profit Margin	2.7%	1.6%	2.8%	0.3%	3.2%	3.6%	6.2%	-	+3.5%	
Adjustments	0.2%	(0.4%)	(0.1%)	(0.1%)	0.2%	(0.2%)	0.0%	-	+0.1%	
Operating Profit Margin	2.9%	1.3%	2.7%	0.2%	3.4%	3.5%	6.3%	-	+3.5%	

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	11,965	-	-	+884
Synthetic Lubricants	502	991	1,381	1,703	301	607	957	-	-	(424)
Liquid Paraffins & Sulfonates	902	1,855	2,849	3,793	998	1,940	2,993	-	-	+144
Hot Melt Adhesives	1,809	3,754	5,801	7,664	2,108	4,194	6,419	-	-	+618
Energy Device Materials	45	84	128	209	30	54	124	-	-	(4)
Other	372	812	1,239	1,859	470	856	1,272	-	-	+33
Sales	7,050	14,523	22,479	30,333	7,596	15,386	23,731	-	-	+1,252
Functional Fluids	+10.9%	+10.8%	+14.4%	+16.0%	+7.8%	+10.1%	+8.0%	-	-	-
Synthetic Lubricants	(0.1%)	(4.1%)	(9.7%)	(13.7%)	(40.0%)	(38.7%)	(30.7%)	-	-	-
Liquid Paraffins & Sulfonates	+11.9%	+11.0%	+10.5%	+9.0%	+10.6%	+4.6%	+5.1%	-	-	-
Hot Melt Adhesives	+8.2%	+12.9%	+14.1%	+13.0%	+16.6%	+11.7%	+10.7%	-	-	-
Energy Device Materials	(21.3%)	(34.5%)	(35.1%)	(11.8%)	(31.9%)	(35.7%)	(3.3%)	-	-	-
Other	(29.5%)	(5.4%)	(6.7%)	+3.6%	+26.4%	+5.3%	+2.6%	-	-	-
Sales (YoY)	+5.9%	+8.7%	+10.1%	+11.1%	+7.7%	+5.9%	+5.6%	-	-	-
Functional Fluids	48.5%	48.4%	49.3%	49.8%	48.6%	50.3%	50.4%	-	-	-
Synthetic Lubricants	7.1%	6.8%	6.1%	5.6%	4.0%	3.9%	4.0%	-	-	-
Liquid Paraffins & Sulfonates	12.8%	12.8%	12.7%	12.5%	13.1%	12.6%	12.6%	-	-	-
Hot Melt Adhesives	25.7%	25.8%	25.8%	25.3%	27.8%	27.3%	27.0%	-	-	-
Energy Device Materials	0.6%	0.6%	0.6%	0.7%	0.4%	0.4%	0.5%	-	-	-
Other	5.3%	5.6%	5.5%	6.1%	6.2%	5.6%	5.4%	-	-	-
Sales (Component Percentages)	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	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	4,229	-	-	+175
Synthetic Lubricants	502	489	390	322	301	306	350	-	-	(40)
Liquid Paraffins & Sulfonates	902	953	994	944	998	942	1,053	-	-	+59
Hot Melt Adhesives	1,809	1,945	2,047	1,863	2,108	2,086	2,225	-	-	+178
Energy Device Materials	45	39	44	81	30	24	70	-	-	+26
Other	372	440	427	620	470	386	416	-	-	(11)
Sales	7,050	7,473	7,956	7,854	7,596	7,790	8,345	-	-	+389
Functional Fluids	+10.9%	+10.7%	+21.2%	+20.7%	+7.8%	+12.2%	+4.3%	-	-	-
Synthetic Lubricants	(0.1%)	(7.7%)	(21.4%)	(27.6%)	(40.0%)	(37.4%)	(10.3%)	-	-	-
Liquid Paraffins & Sulfonates	+11.9%	+10.2%	+9.6%	+4.8%	+10.6%	(1.2%)	+5.9%	-	-	-
Hot Melt Adhesives	+8.2%	+17.6%	+16.2%	+9.7%	+16.6%	+7.2%	+8.7%	-	-	-
Energy Device Materials	(21.3%)	(45.1%)	(37.1%)	+107.7%	(31.9%)	(38.5%)	+59.1%	-	-	-
Other	(29.5%)	+32.9%	(9.0%)	+33.0%	+26.4%	(12.3%)	(2.6%)	-	-	-
Sales (YoY)	+5.9%	+11.4%	+12.9%	+14.1%	+7.7%	+4.2%	+4.9%	-	-	-
Functional Fluids	48.5%	48.3%	51.0%	51.2%	48.6%	52.0%	50.7%	-	-	-
Synthetic Lubricants	7.1%	6.5%	4.9%	4.1%	4.0%	3.9%	4.2%	-	-	-
Liquid Paraffins & Sulfonates	12.8%	12.8%	12.5%	12.0%	13.1%	12.1%	12.6%	-	-	-
Hot Melt Adhesives	25.7%	26.0%	25.7%	23.7%	27.8%	26.8%	26.7%	-	-	-
Energy Device Materials	0.6%	0.5%	0.6%	1.0%	0.4%	0.3%	0.8%	-	-	-
Other	5.3%	5.9%	5.4%	7.9%	6.2%	5.0%	5.0%	-	-	-
Sales (Component Percentages)	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 02/2023	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	5,952	-	-	+1,780
Accounts Receivables	7,046	7,524	7,831	7,595	7,462	7,453	8,016	-	-	+185
Inventory	5,727	6,102	6,311	6,306	6,451	6,378	6,505	-	-	+194
Other	580	493	614	653	564	566	1,399	-	-	+785
Current Assets	17,165	18,285	18,928	18,810	18,412	18,153	21,872	-	-	+2,944
Tangible Assets	8,330	8,395	8,537	8,610	8,666	9,114	9,540	-	-	+1,003
Intangible Assets	614	649	643	589	749	744	735	-	-	+92
Investments and Other Assets	3,583	3,764	3,820	4,002	4,068	4,166	4,370	-	-	+550
Fixed Assets	12,527	12,808	13,001	13,202	13,483	14,024	14,645	-	-	+1,644
Deferred Assets	-	-	-	6	18	32	42	-	-	+42
Total Assets	29,691	31,092	31,929	32,017	31,913	32,208	36,559	-	-	+4,630
Accounts Payables	4,419	4,926	5,173	5,144	4,828	4,467	4,581	-	-	(592)
Short-Term Debt	857	1,546	1,549	2,381	2,145	2,096	2,806	-	-	+1,257
Other	2,052	1,611	2,245	2,074	1,787	1,629	2,176	-	-	(69)
Current Liabilities	7,328	8,083	8,967	9,599	8,760	8,192	9,563	-	-	+596
Long-Term Debt	457	382	307	472	942	887	2,994	-	-	+2,687
Other	785	910	834	707	667	748	814	-	-	(20)
Fixed Liabilities	1,242	1,292	1,141	1,179	1,609	1,635	3,808	-	-	+2,667
Total Liabilities	8,570	9,375	10,108	10,778	10,369	9,827	13,371	-	-	+3,263
Shareholders' Equity	17,357	17,361	17,392	17,287	17,327	17,678	18,254	-	-	+862
Other	3,764	4,356	4,428	3,953	4,217	4,703	4,934	-	-	+506
Net Assets	21,121	21,717	21,820	21,240	21,544	22,381	23,188	-	-	+1,368
Total Liabilities & Net Assets	29,691	31,092	31,929	32,017	31,913	32,208	36,559	-	-	+4,630
Equity Capital	18,492	18,945	19,016	18,533	18,743	19,418	20,143	-	-	+1,127
Interest Bearing Debt	1,314	1,928	1,856	2,853	3,087	2,983	5,800	-	-	+3,944
Net Debt	(2,498)	(2,238)	(2,316)	(1,403)	(848)	(773)	(152)	-	-	+2,164
Equity Ratio	62.3%	60.9%	59.6%	57.9%	58.7%	60.3%	55.1%	-	-	-
Net Debt Equity Ratio	(13.5%)	(11.8%)	(12.2%)	(7.6%)	(4.5%)	(4.0%)	(0.8%)	-	-	-
ROE (12 months)	5.8%	5.2%	4.4%	3.4%	2.8%	3.5%	6.3%	-	-	-
ROA (12 months)	6.1%	5.8%	4.7%	3.4%	3.1%	3.6%	4.7%	-	-	-
Days for Inventory Turnover	104	101	99	97	106	102	100	-	-	-
Quick Ratio	148%	145%	134%	123%	130%	137%	146%	-	-	-
Current Ratio	234%	226%	211%	196%	210%	222%	229%	-	-	-

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	-	-	-	-
Investing Cash Flow	-	(718)	-	(1,172)	-	(1,305)	-	-	-	-
Operating Cash Flow and Investing Cash Flow	-	(183)	-	(657)	-	(301)	-	-	-	-
Financing Cash Flow	-	487	-	1,227	-	(115)	-	-	-	-

Source: Company Data, WRJ Calculation

FY02/2024 Company Forecasts

FY02/2024 Company forecasts, announced on 21 February 2024, are going for prospective sales of ¥31,800m (up 4.8% YoY), operating profit of ¥1,120m (up 114.1%), recurring profit of ¥1,800m (up 72.1%) and profit attributable to owners of parent of ¥1,130m (up 83.7%), while operating profit margin of 3.5% (up 1.8% points). At the same time, Company forecasts are going for planned annual dividend of ¥45.00 per share, implying payout ratio of 36.8%.

Compared to initial Company forecasts, announced on 11 April 2023, revisions have been made as follows: prospective sales revised down by ¥2,700m (7.8%), operating profit revised down by ¥280m (20.0%), recurring profit revised up by ¥200m (12.5%) and profit attributable to owners of parent revised up by ¥430m (61.4%). For planned annual dividend, Company forecasts have remained unchanged.

Sales and operating profit are on the rise for FY02/2024 from FY02/2023 as a result of normalization of Japanese economy, increased sales volumes in Southeast/South Asia (Thailand, Indonesia and India) and North America and higher selling prices of the Company's products due to a steady progress made in passing on higher raw material procurement costs. In addition, it appears that increased sales of MORESCO Green SX (MGS) Products are also contributing.

However, the Company's sales are now expected not to increase as much as initially expected and thus operating profit is to fall short of assumptions of initial Company forecasts accordingly. Sales are to fall short of, due to slowing domestic demand in China arisen from local real estate issues, etc. and stagnated demand from some major users based in Japan. As for the latter, as mentioned earlier, sales of hard disc surface lubricants on the Synthetic Lubricants side are plummeting on a year-on-year basis, which is a key negative factor for the Company's performance as a whole. Another negative factor is that liquid paraffins on the Liquid Paraffines & Sulfonates side are seeing a decline in sales volume as special demand generated by coronavirus catastrophe is now not reappearing.

Meanwhile, the Company is to see an unexpected add-on of no less than ¥480m at the non-operating level in light of disparity of the above-mentioned revision between operating profit and recurring profit. The Company suggests that it saw currency gain of ¥292m for the actual results of Q1 to Q3 as well as compensation received of ¥151m as equity method investment gain, while both of them were not assumed in initial Company forecasts. The former was caused by fluctuations of exchange rate and the latter expropriation of a factory site belonging to an equity-method affiliate in China (Wuxi MoreTex Technology Co., Ltd.) by the Chinese government at its request.

Further, the Company is to see an overshoot even larger at the level of profit attributable to owners of parent, as it sees an unexpected add-on also in extraordinary balance. Having fully consolidated the above-mentioned equity-method affiliate as a subsidiary on 28 September 2023, the Company saw a net add-on of ¥251m, comprising gain on negative goodwill of ¥285m and loss on step acquisition of ¥34m, at the extraordinary level.

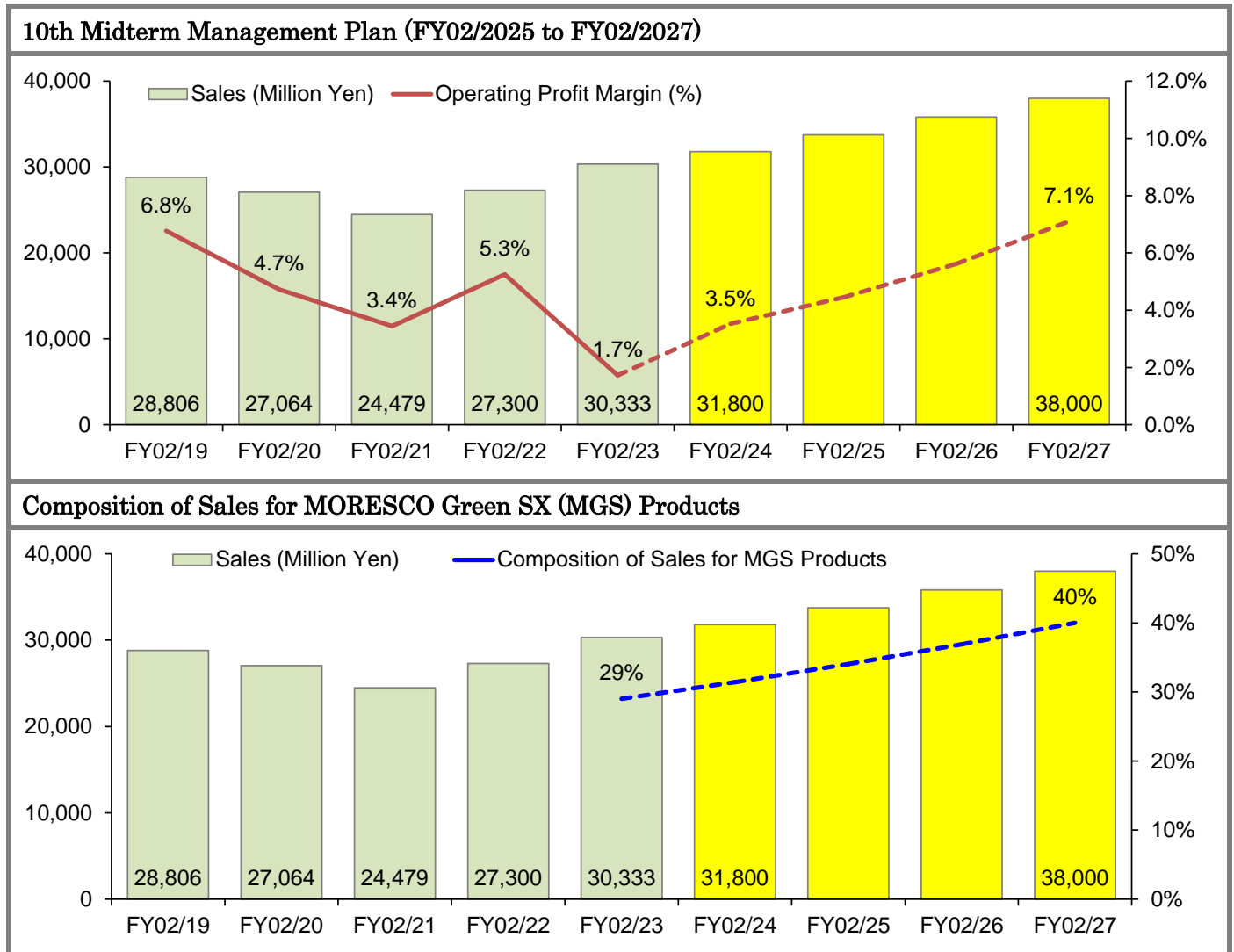
FY02/2024 Company Forecasts and Actual Results

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
FY02/2024CoE	15-Jan-24	Q3 Results	34,500	1,400	1,600	700
FY02/2024CoE	21-Feb-24	Revision	31,800	1,120	1,800	1,130
		Amount of Gap	(2,700)	(280)	200	430
		Rate of Gap	(7.8%)	(20.0%)	12.5%	61.4%
FY02/2024CoE	11-Apr-23	Q4 Results	34,500	1,400	1,600	700
FY02/2024CoE	21-Feb-24	Revision	31,800	1,120	1,800	1,130
		Amount of Gap	(2,700)	(280)	200	430
		Rate of Gap	(7.8%)	(20.0%)	12.5%	61.4%
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
Q3 to Q4 FY02/2024CoE	15-Jan-24	Q3 Results	19,114	872	667	131
Q3 to Q4 FY02/2024CoE	21-Feb-24	Revision	16,414	592	867	561
		Amount of Gap	(2,700)	(280)	200	430
		Rate of Gap	(14.1%)	(32.1%)	30.0%	328.2%
Q3 to Q4 FY02/2024CoE	12-Oct-23	Q2 Results	19,114	872	667	131
Q3 to Q4 FY02/2024CoE	21-Feb-24	Revision	16,414	592	867	561
		Amount of Gap	(2,700)	(280)	200	430
		Rate of Gap	(14.1%)	(32.1%)	30.0%	328.2%

Source: Company Data, WRJ Calculation

Long-Term Prospects

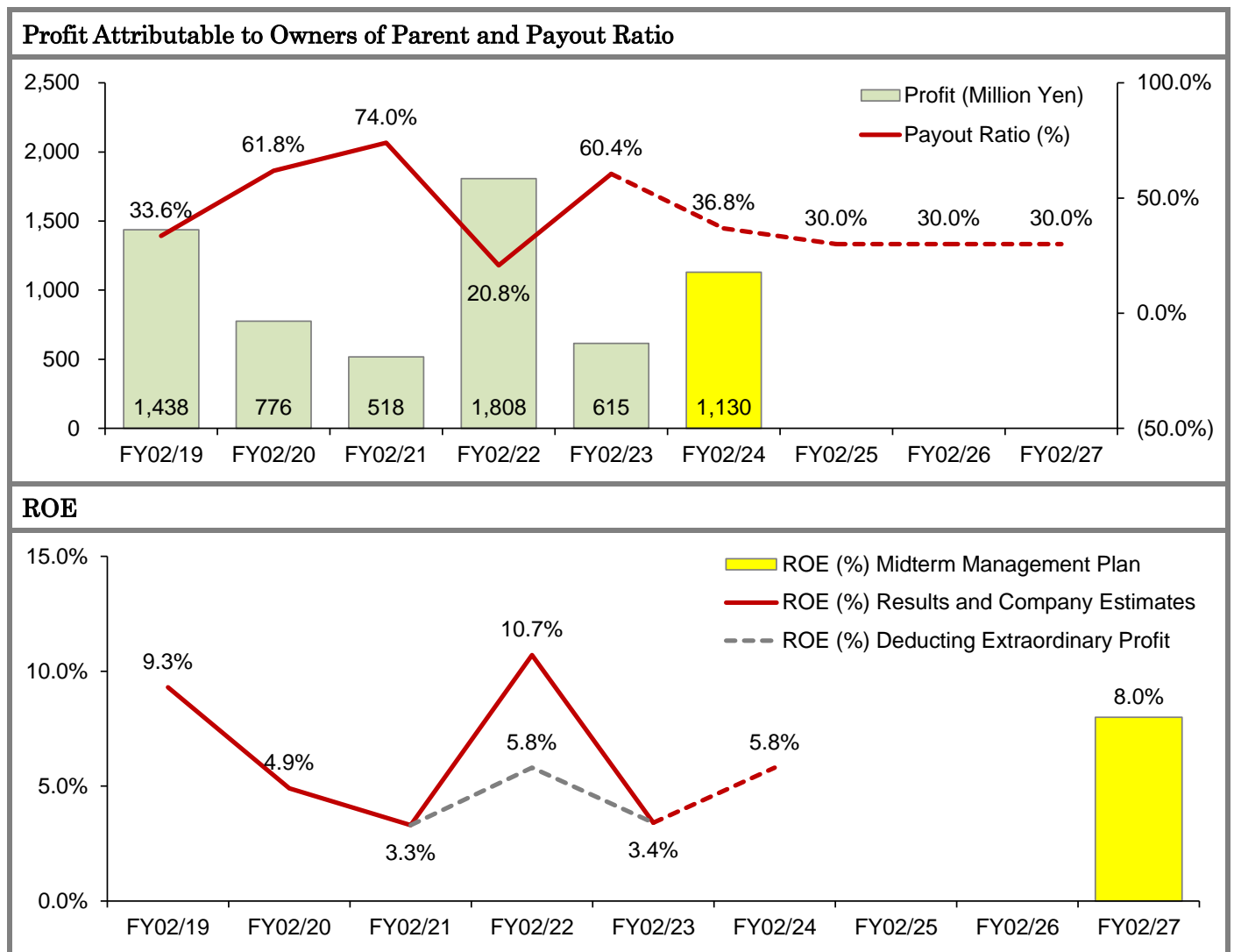
On 21 February 2024, the Company has announced its 10th Midterm Management Plan (FY02/2025 to FY02/2027), revealing its policy to achieve long-term growth by means of satisfying both of Realization of a Sustainable Society and Enhancement of Added Value of Business. The management target is to see sales of ¥38,000m, operating profit of ¥2,700m, recurring profit of ¥3,000m, ROE of an 8% level and 40% in composition of sales for MORESCO Green SX (MGS) Products.



Source: Company Data, WRJ Calculation

When setting the latest estimates (Company forecasts) for FY02/2024 as the point of origin, the plan is calling for CAGR of 6.1% in sales and 34.1% in operating profit during the relevant period, while operating profit margin is to rise by 3.6% points. According to the Company, a major contribution will come from focusing on expanding sales of MGS Products, which are represented by “GRAPHACE MQ Series / water-soluble, low-volume application mold release agents” and “HYDOL / water-glycol fireproof hydraulic fluids”, while promoting sales of all those products will correctly satisfy both of Realization of a Sustainable Society and Enhancement of Added Value of Business, as far as we could see.

With respect to “GRAPHACE MQ Series / water-soluble, low-volume application mold release agents,” as there is an aspect to contribute to energy conservation, environmental preservation and improvement of the work environment, the Company is keen on refining existing products and/or developing new products as well as actively promoting sales with an objective of driving forward its sustainability management. At the same time, the above-mentioned aspect leads to high added value and thus high gross profit margin. In conclusion, the Company is looking to improving sales mix or improving operating profit margin as a result of consistent increase in sales of all those MGS Products, including “HYDOL/ water-glycol fireproof hydraulic fluids” with an aspect to contribute to reduction of CO2 emissions and environmental preservation.



Source: Company Data, WRJ Calculation

The Company, aiming to achieve long-term growth through the above-mentioned measures, sets return of earnings to shareholders as “a high-profile management task,” planning to do so while maintaining an appropriate level of retained earnings. Specifically, the Company is going for a target of paying dividend, equating payout ratio of 30% or more from a long-term perspective. Having a naive notion, the target level of the payout ratio is rather lower than that of planned annual dividend of ¥45.00, implying payout ratio of 36.8%, for FY02/2024 and those of the actual results during the past 5 years, but it appears that the Company is trying to increase the amount of dividend in line with the future increase of dividend resource, i.e. profit attributable to owners of parent. In fact, it is also important to note that the Company is literally aiming for payout ratio of 30% or “more.”

At the same time, the Company is also actively working to improve capital efficiency. For the actual results of FY02/2019, the Company saw ROE of 9.3%, while having consistently seen the levels of ROE below 8%, which is generally accepted as the level equating PBR of 1.0x since then, but for FY02/2022 when the Company saw gain on sale of rental properties as much as ¥833m at the extraordinary level. Meanwhile, for FY02/2024, the Company estimates ROE of no more than 5.8%, based on equity capital as of the end of Q3, after some add-ons at the extraordinary level. Still, more importantly, the Company has set the management target of achieving ROE of an 8% level for FY02/2027, the final year of the midterm management plan, where it is basically looking to a contribution from numerator, i.e., future expansion in profit attributable to owners of parent, as far as we could see.

By the way, on 21 February 2024, the Company has announced to repurchase own shares, together with the announcement of 10th Midterm Management Plan. Setting the repurchase period from 1 March to 30 April 2024, the Company plans to repurchase up to 0.87% of its total outstanding shares (excluding treasury shares) through market purchases on the Tokyo Stock Exchange.

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	31,800	+1,467
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	1,120	+597
Non-Operating Balance	252	289	188	577	523	680	+157
Recurring Profit	2,202	1,568	1,030	2,011	1,046	1,800	+754
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	1,130	+515
Sales YoY	+3.2%	(6.0%)	(9.6%)	+11.5%	+11.1%	+4.8%	-
Operating Profit YoY	(16.3%)	(34.4%)	(34.1%)	+70.3%	(63.5%)	+114.1%	-
Recurring Profit YoY	(15.3%)	(28.8%)	(34.3%)	+95.3%	(48.0%)	+72.1%	-
Profit Attributable to Owners of Parent YoY	(11.4%)	(46.0%)	(33.3%)	+249.1%	(66.0%)	+83.7%	-
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%	3.5%	+1.8%
Recurring Profit Margin	7.6%	5.8%	4.2%	7.4%	3.4%	5.7%	+2.2%
Profit Attributable to Owners of Parent Margin	5.0%	2.9%	2.1%	6.6%	2.0%	3.6%	+1.5%
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	-	-
Sales	28,806	27,064	24,479	27,300	30,333	31,800	+1,467
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	-	-
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	1,120	+597
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%	-	-
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%	3.5%	+1.8%

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	16,550	+1,445
Synthetic Lubricants	2,602	2,115	1,872	1,974	1,703	1,300	(403)
Liquid Paraffins & Sulfonates	3,874	3,720	3,385	3,480	3,793	4,000	+207
Hot Melt Adhesives	7,318	6,882	6,807	6,785	7,664	8,300	+636
Energy Device Materials	-	126	113	237	209	-	-
Other	1,800	1,628	1,682	1,794	1,859	-	-
Chemical Business	28,752	27,011	24,425	27,292	30,333	31,800	+1,467
Rental Building Business	53	53	53	8	-	-	-
Sales	28,806	27,064	24,479	27,300	30,333	31,800	+1,467
Functional Fluids	+4.6%	(4.7%)	(15.7%)	+23.2%	+16.0%	+9.6%	-
Synthetic Lubricants	(5.1%)	(18.7%)	(11.5%)	+5.5%	(13.7%)	(23.7%)	-
Liquid Paraffins & Sulfonates	+8.3%	(4.0%)	(9.0%)	+2.8%	+9.0%	+5.5%	-
Hot Melt Adhesives	+0.6%	(6.0%)	(1.1%)	(0.3%)	+13.0%	+8.3%	-
Energy Device Materials	-	-	(10.3%)	+109.9%	(11.8%)	-	-
Other	+6.3%	(5.3%)	+3.3%	+6.6%	+3.6%	-	-
Sales (YoY)	+3.2%	(6.0%)	(9.6%)	+11.5%	+11.1%	+4.8%	-
Functional Fluids	45.7%	46.3%	43.2%	47.7%	49.8%	52.0%	-
Synthetic Lubricants	9.0%	7.8%	7.6%	7.2%	5.6%	4.1%	-
Liquid Paraffins & Sulfonates	13.4%	13.7%	13.8%	12.7%	12.5%	12.6%	-
Hot Melt Adhesives	25.4%	25.4%	27.8%	24.9%	25.3%	26.1%	-
Energy Device Materials	-	0.5%	0.5%	0.9%	0.7%	-	-
Other	6.2%	6.0%	6.9%	6.6%	6.1%	-	-
Sales (Componet Percentages)	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
(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	-	-
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
(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)	-	-
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	122.41	-
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	122.41	-
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%	36.8%	-

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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