

MORESCO (5018)

Consolidated Fiscal Year (Million Yen)	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY02/2023	30,333	523	1,046	615	66.19	40.00	2,008.49
FY02/2024	31,886	1,225	1,826	1,283	139.01	45.00	2,179.85
FY02/2025CoE	34,000	1,500	1,850	1,050	114.58	45.00	-
FY02/2024	YoY	5.1%	134.2%	74.6%	108.8%	-	-
FY02/2025CoE	YoY	6.6%	22.5%	1.3%	(18.2%)	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (10 June 2024)


Subsequent Operations

MORESCO, running operations of R&D, manufacture and sale of chemical goods used in diverse applications with autos as the mainstay, plans to achieve sustainable growth from a long-term perspective, following a significant recovery in earnings for the actual results of FY02/2024. In light of the management target of its 10th midterm management plan (FY02/2025 to FY02/2027), which focuses on satisfying both of Realization of a Sustainable Society and Enhancement of Added Value for Business, the Company is calling for prospective CAGR of 6.0% in sales and 30.1% in earnings during the relevant period, while a level of ROE at 8% (versus 6.6% for FY02/2024) for FY02/2027, the final year of the plan. The Company is to dedicate itself to development, manufacture and sale of high value-added products to reduce environmental load, which is expected to result in the above-mentioned growth. Meanwhile, it was on 22 August 2023 that the Company has concluded a contract to acquire operations basically being related to autos from a trade based in the United States, which is also expected to drive the growth. Elsewhere, the Company is in the process of developing sealants to make perovskite solar cells commercially viable as well as proceeding with preparations for manufacture and sale at the same time, although the midterm management plan does not assume the impact from here. Furthermore, the Company is also looking to a future contribution from development, manufacture and sale of cosmetic products that compound nanoemulsion (MORESCO-NANOREACH) to realize an epoch-making functionality. Thus, the Company is keen on deploying various efforts to create promising operations subsequently contributing after the period of the midterm management plan as well.

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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 February 2024)
No. of Shares	9,696,500 shares, including 463,720 treasury shares (as of the end of Feb. 2024)
Main Features	<ul style="list-style-type: none"> ● Independent (non-keiretsu) manufacturer of chemical goods, some 45% exposed to autos by application in terms of sales ● Specializing in “interface science” with exclusive exposure to niche markets ● Development, 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%, ESOP 4.4%, NIPPON SODA 3.9%, Master Trust Bank of Japan, T. 3.8%, STARLITE Co., Ltd. 3.5% (as of the end of February 2024, but for treasury shares)
Head Office	Kobe-city, Hyogo-prefecture, JAPAN
No. of Personnel	Consolidated: 821, Parent: 387 (as of the end of February 2024)

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

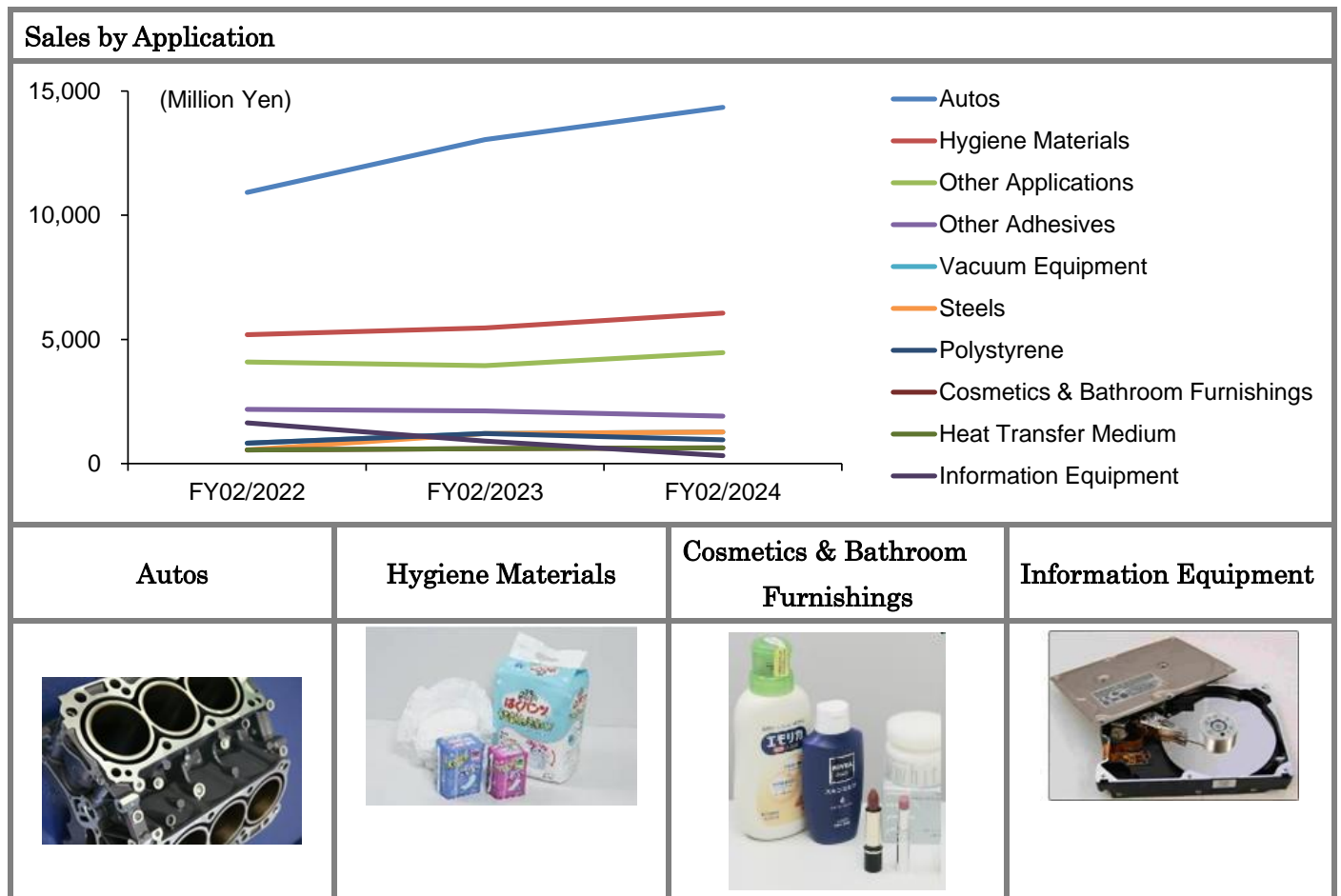


Source: Company Data

Overwhelming Shares in Niche Markets Small in Size

The Company is running operations of development, 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 its 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 fire-resistant fluids (70%), high-vacuum pump oils (70%) and mold lubricants for diecasting (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

Autos Accounting for 45% of Sales by Application

The Company's sales came in at ¥30,333m (up 11.1% YoY) for FY02/2023, which was followed by ¥31,886m (up 5.1%) for FY02/2024. During the relevant period, an increase in sales associated with autos by application drove an increase in the Company's sales most substantially and it appears that the former accounted for some 70% of the latter. As a result, sales associated with autos accounted for 45% of the Company's sales in terms of the actual results of FY02/2024. Meanwhile, the majority of sales associated with autos is of products belonging to the Functional Fluids side, the mainstay by business division (51.0% of the Company's sales for FY02/2024).

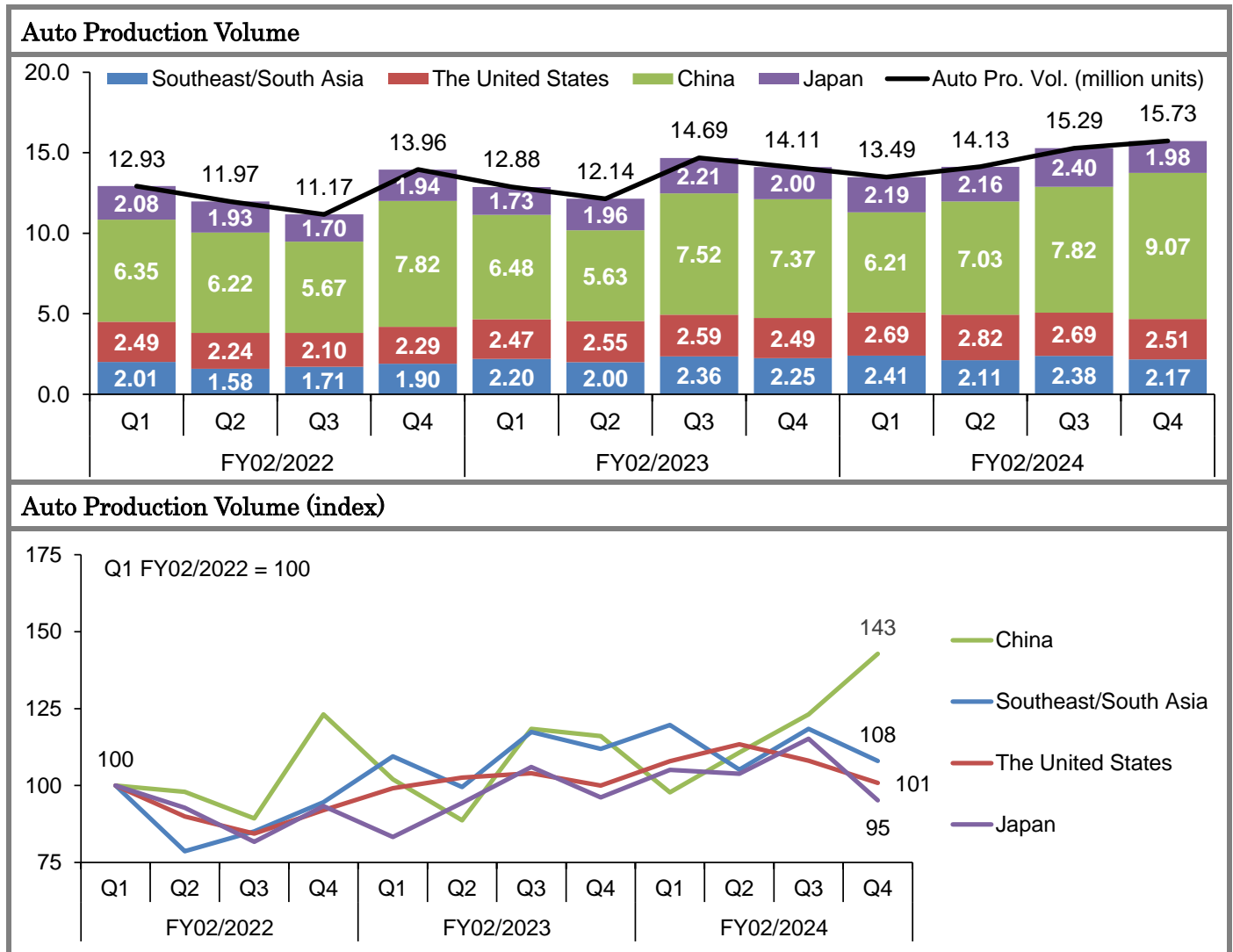
Specifically, they mainly comprise diecasting fluids, cutting fluids and forging lubricants. The Company is also exposed to hydraulic fluids and vacuum pump oils on the Functional Fluids side, while the former is basically associated with steel by application and the latter to diverse applications. For example, diecasting fluids, the mainstay on the Functional Fluids side, comprise mold lubricants for diecasting and plunger lubricants, while the mold lubricants for diecasting 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.

Secondly, the Company benefited from an increase in sales associated with hygiene materials, principally applied for disposable diapers. It appears to have accounted for some 20% of increase in the Company's sales, while sales associated with hygiene materials are the core part of sales on the Hot Melt Adhesives side (26.4% of the Company's sales).

On the other hand, sales associated with information equipment have declined significantly. It appears that a decrease in sales with this application equated some 30% of increase in the Company's sales. Sales associated with information equipment are represented by those of hard disc drive surface lubricants on the Synthetic Lubricants side (4.2% of the Company's sales), which are basically of hard discs adopted in high-performance HDDs for data centers. The Company classifies its sales into 10 categories by application, while the remaining 7 categories saw rather limited changes in sales during the past two years, when compared with changes in sales for the above-mentioned three categories.

Auto Production Volume

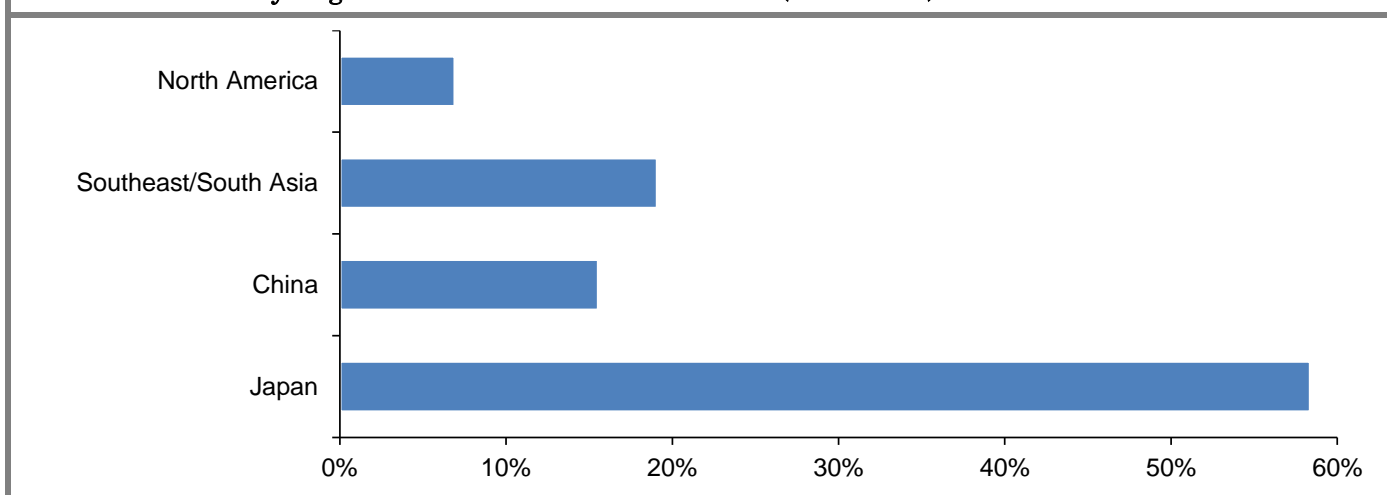
The Company is heavily involved with autos by application as above-mentioned, recognizing changes in auto production volume as one of the key elements for own management environment and the other one being raw material procurement costs. For the actual results of FY02/2024, the Company saw auto production volume of 8.72m units (up 10.3%) in Japan, 30.13m units (up 11.6%) in China, 10.71m units (up 6.0%) in the United States and 9.07m units (up 3.0%) in Southeast/South Asia (Thailand, Indonesia and India), i.e., collectively, 58.62m units (up 8.9%), at the locations where the Company runs own operations.



Source: Company Data, WRJ Calculation

All those numbers are based on data from MarkLines and the actual results of the relevant accounting period (March 2023 to February 2024) have been reflected for Japan versus those of the local accounting period (January 2023 to December 2023) for operations overseas, which are run by local subsidiaries with a fiscal yearend of December. Consequently, each of the auto production volume mentioned here corresponds to the Company's performance for FY02/2024.

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



Source: Company Data, WRJ Calculation

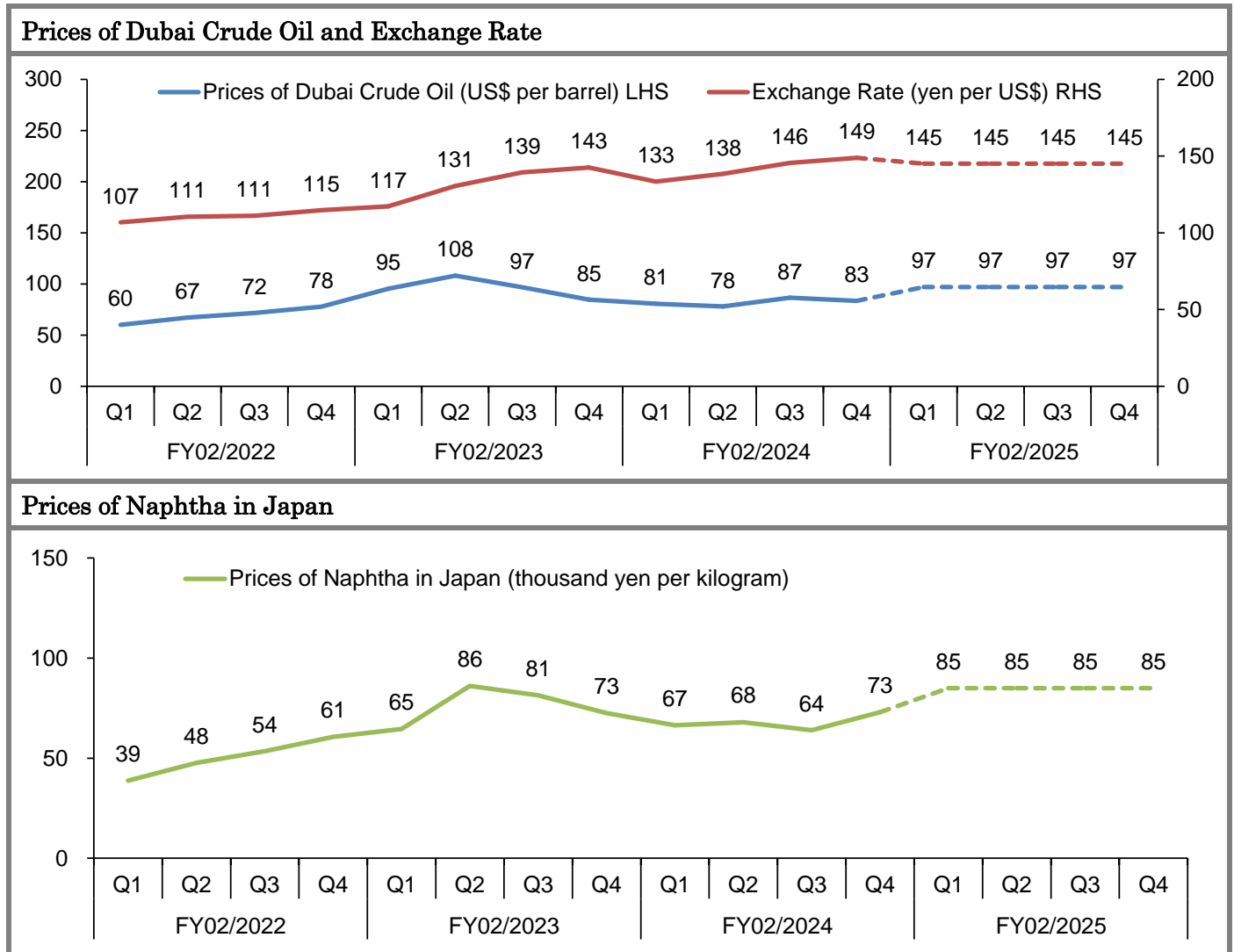
In sales breakdown by region on the Functional Fluids side, where the bulk of the Company's sales associated with autos are included, sales in Japan accounted for almost 60%, implying that the Company's sales associated with autos are inclined to be affected by changes in auto production volume in Japan to a large extent in particular. For Q4 (December to February), the Company saw auto production volume in Japan having had a phase of correction from Q3 (September to November), but a strength, i.e., 8.72m units (up 10.3%) over the full-year period of FY02/2024 as mentioned earlier, which appears to have favorably contributed to an increase in the Company's sales associated with autos. According to the Company, there is an aspect that the FY02/2024 results reflect a reversal of sluggishness in auto production volume in Japan for FY02/2023, which is the objective of comparison, due to shortage of semiconductors and other factors.

7

Meanwhile, the Company saw auto production volume in China even firmer than in Japan, having grown up to 143 for Q4 FY02/2024 in terms of index to set the level of Q1 FY02/2022 as 100. This is due to a significant expansion for production volume of so-called new energy vehicles, such as electric vehicles (EVs), plug-in hybrid vehicles (PHVs) and fuel cell vehicles (FCVs). Collectively, the Company saw production volume of new energy vehicles in China at 9.59m units (up 35.8%), having accounted for 31.8% of total, up no less than 5.7% points from 26.1% in the previous year. Thus, the Company saw auto production volume in China, but for new energy vehicles, at 20.54m units (up no more than 3.0%).

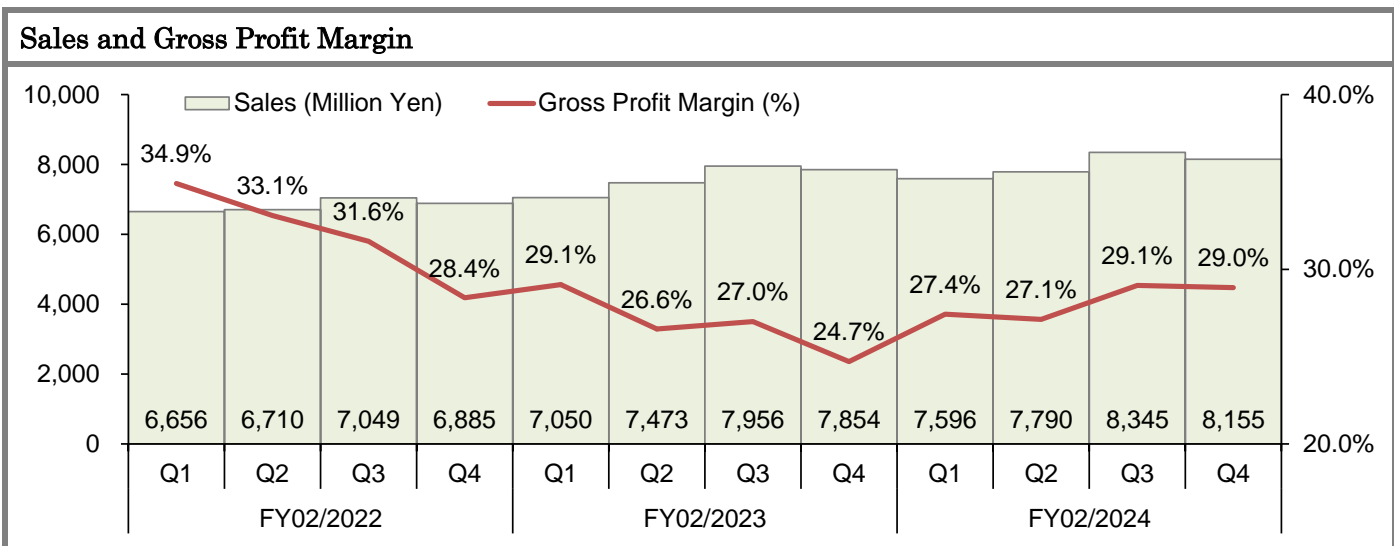
Raw Material Procurement Costs

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 raises prices of Dubai crude oil (US\$ per barrel), exchange rate (yen per US\$) and prices of naphtha in Japan (thousand yen per kilogram).



Source: Company Data

That is to say, 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. For the actual results of Q4 FY02/2024, the Company saw prices of Dubai crude oil at US\$83 per barrel, exchange rate at ¥149 per US\$ and prices of naphtha in Japan at ¥73 thousand per kilogram.



Source: Company Data, WRJ Calculation

It should be the case that the rise in raw material procurement costs for FY02/2022 and FY02/2023 had a significant impact on the Company's gross profit margin, which had been steadily declining during the relevant period. On the other hand, the Company's gross profit margin has turned to show a steady recovery since the beginning of FY02/2024.

This is due mainly to the fact that the Company has been successfully passing on higher raw material procurement costs to selling prices of own products (revision on selling prices) for some time, given a trend that the rise in raw material procurement costs has begun to subside. Meanwhile, FY02/2025 Company forecasts assume prices of Dubai crude oil prices at US\$97 per barrel, exchange rate at ¥145 per US\$ and naphtha prices in Japan at ¥85 thousand per kilogram, in light of geopolitical risk associated with increased tensions in the Middle East, etc. At the same time, the assumptions are adopted in the Company's 10th midterm management plan (FY02/2025 to FY02/2027), which focuses on satisfying both of Realization of a Sustainable Society and Enhancement of Added Value for Business.

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 fire-resistant 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
November 2022	MOLESCO Trading (Zhejiang) Ltd., established in Haining-city, China

October 2023 Wuxi MoreTex Technology Co., Ltd., an equity-method affiliate, became a consolidated subsidiary through the acquisition of all of its equity interests

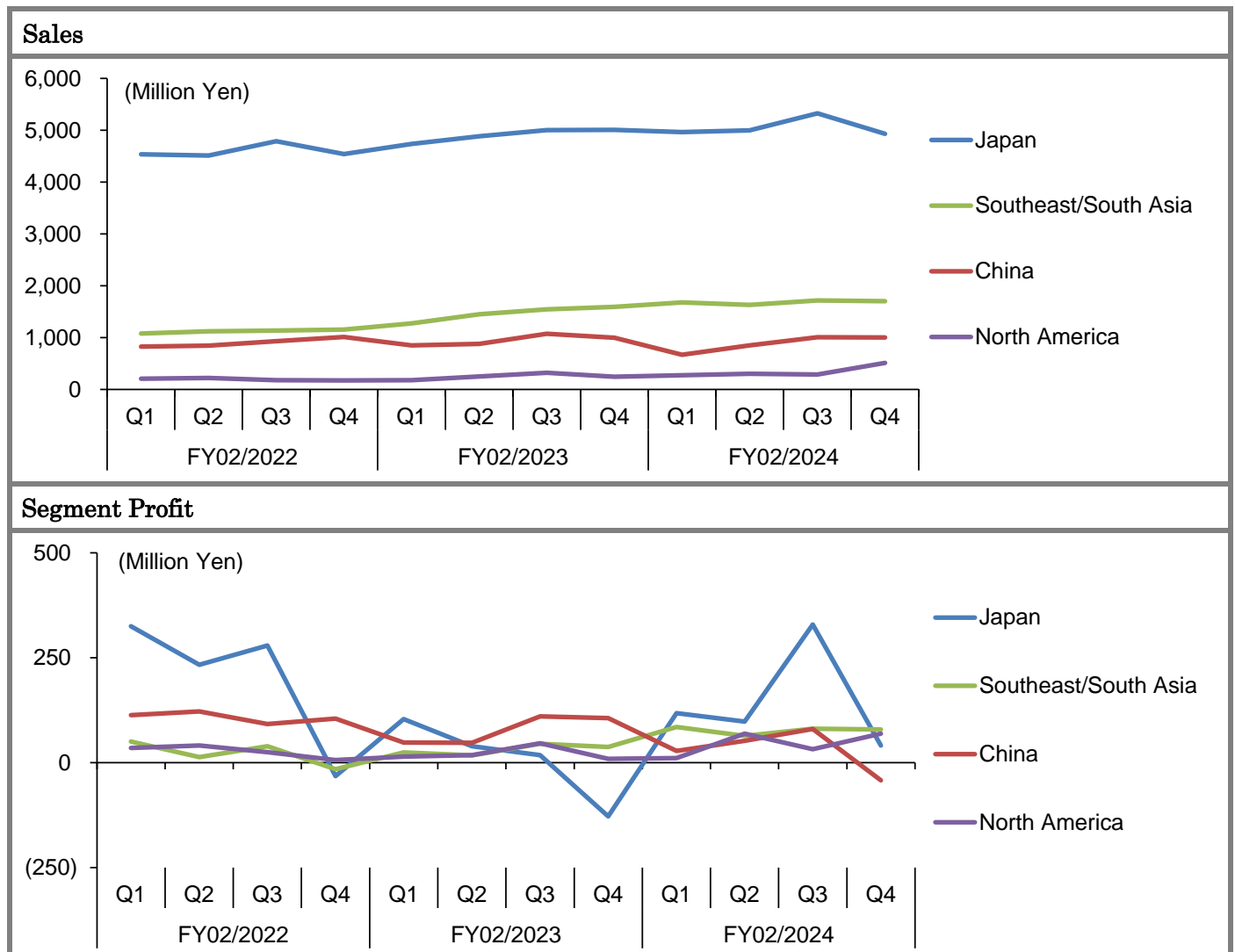
October 2023 Listing of shares, transitioned to Tokyo Stock Exchange Standard Market

October 2023 CROSS TECHNOLOGIES N.A. INC., established in Michigan, United States, taking over all business from CROSS TECHNOLOGIES GROUP, INC.

4.0 Recent Trading and Prospects

FY02/2024

For FY02/2024, sales came in at ¥31,886m (up 5.1% YoY), operating profit ¥1,225m (up 134.2%), recurring profit ¥1,826m (up 74.6%) and profit attributable to owners of parent ¥1,283m (up 108.8%), while operating profit margin 3.8% (up 2.1% points). The Company saw earnings surged due mainly to the fact that it has been successfully passing on higher raw material procurement costs to selling prices of own products (revision on selling prices) for some time. By region, it appears that the Company benefited from the impact from here in Japan most significantly.



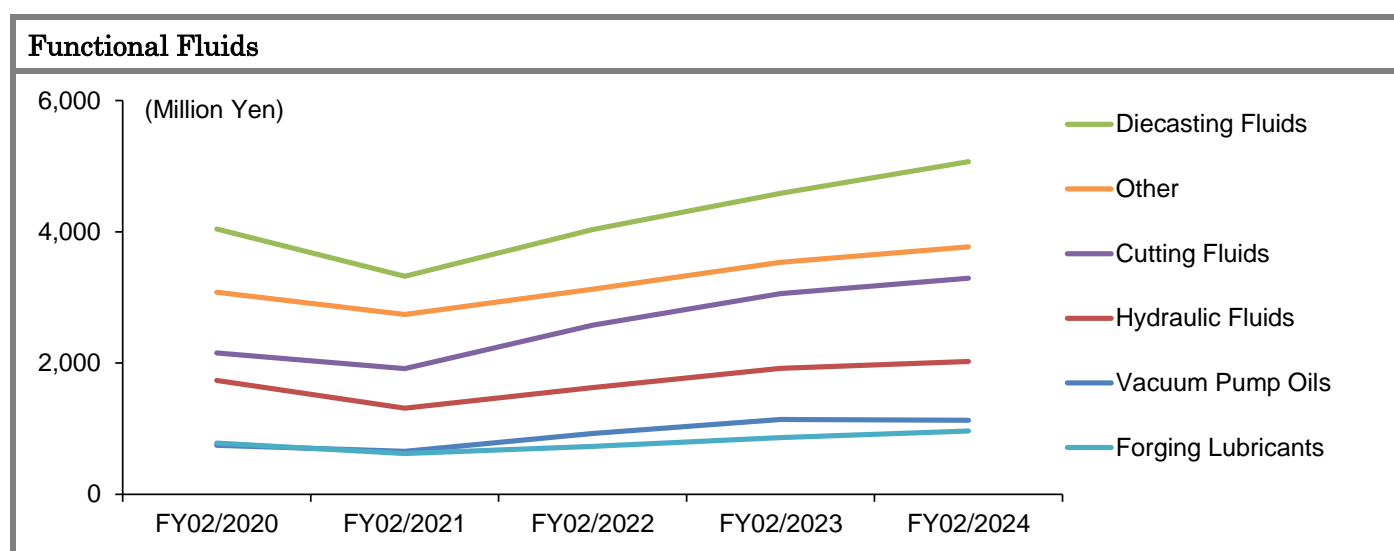
Source: Company Data, WRJ Calculation

The Company implies that it takes some time to pass on higher raw material procurement costs to selling prices of own products. For FY02/2022 and FY02/2023, there was an aspect that the Company suffered from a persistent rise in raw material procurement costs and it appears to have had been almost always the case that the Company suffered from a further rise in raw material procurement costs when the past rise was passed on to selling prices. However, the Company saw rise in raw material procurement costs being subsided for FY02/2024, which must have brought in a major improvement for the Company's management environment.

Meanwhile, the Company saw net gain of ¥601m at the non-operating level (versus net gain of ¥523m in the previous year) and net gain of ¥229m at the extraordinary level (versus breakeven). The former was largely attributable to exchange gain of ¥251m (versus gain of ¥295m) and investment gain on equity method of ¥314m (versus ¥148m). The factor cited for the increase in investment gain on equity method is one-off contribution from conversion of a Chinese equity-method affiliate into a subsidiary. The said conversion contributed also to the latter in that gain on negative goodwill resulting from here accounted for most of the above-mentioned net gain at the extraordinary level.

Functional Fluids (51.0% of sales)

For FY02/2024, sales came in at ¥16,247m (up 7.6%), while FY02/2025 Company forecasts are going for prospective sales of ¥18,150m (up 11.7%). At the same time, the midterm management plan assumes prospective sales of ¥19,900m for FY02/2027, the final year of the plan, implying CAGR of 7.0% during the period of the plan, when setting the FY02/2024 results as the point of origin.



Source: Company Data

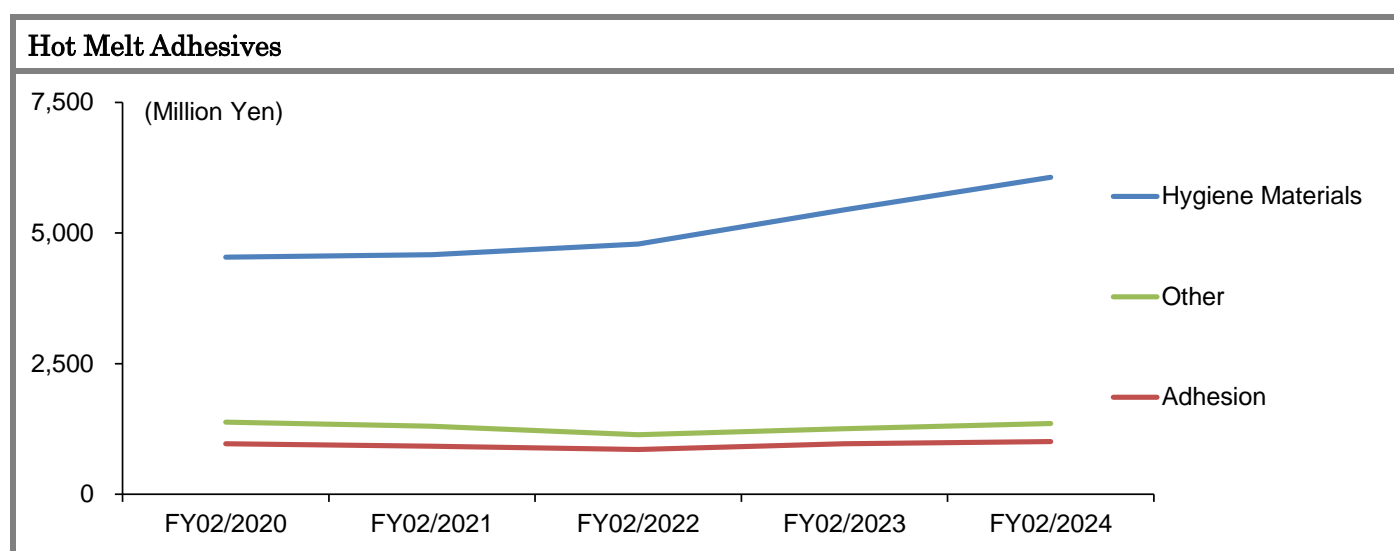
The Company has laid out a policy to enhance sales on this side. It was on 22 August 2023 that the Company announced a business acquisition agreement had been signed (and the acquisition completed on 20 October 2023) with CROSS, Inc. (CROSS TECHNOLOGIES GROUP, Inc.), based in the United States, with which the Company is planning to beef up the share in the local market for mold lubricants for diecasting, 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 material industry as well as raw materials used in mold lubricants for diecasting, according to the Company.

The deal is making the Company secure a local production base, the first one in the United States, which will enable it to strengthen its stable local supply of products as well as being directly involved with development and self-manufacture 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 mold lubricants for diecasting in the United States, the Company sees market share of no more than some 3% (in its own estimates and ditto for the following) and collectively some 7%, including that of CROSS, Inc. Going forward, the Company will be in the pursuit of synergy by leveraging the strengths of itself and the counterparty, calling for prospective market share of some 15% by CY2030 as the target. 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 (26.4% of sales)

For FY02/2024, sales came in at ¥8,430m (up 10.0%), while FY02/2025 Company forecasts are going for prospective sales of ¥8,400m (down 0.4%). At the same time, the midterm management plan assumes prospective sales of ¥9,600m for FY02/2027, the final year of the plan, implying CAGR of 4.4% during the period of the plan, when setting the FY02/2024 results as the point of origin.

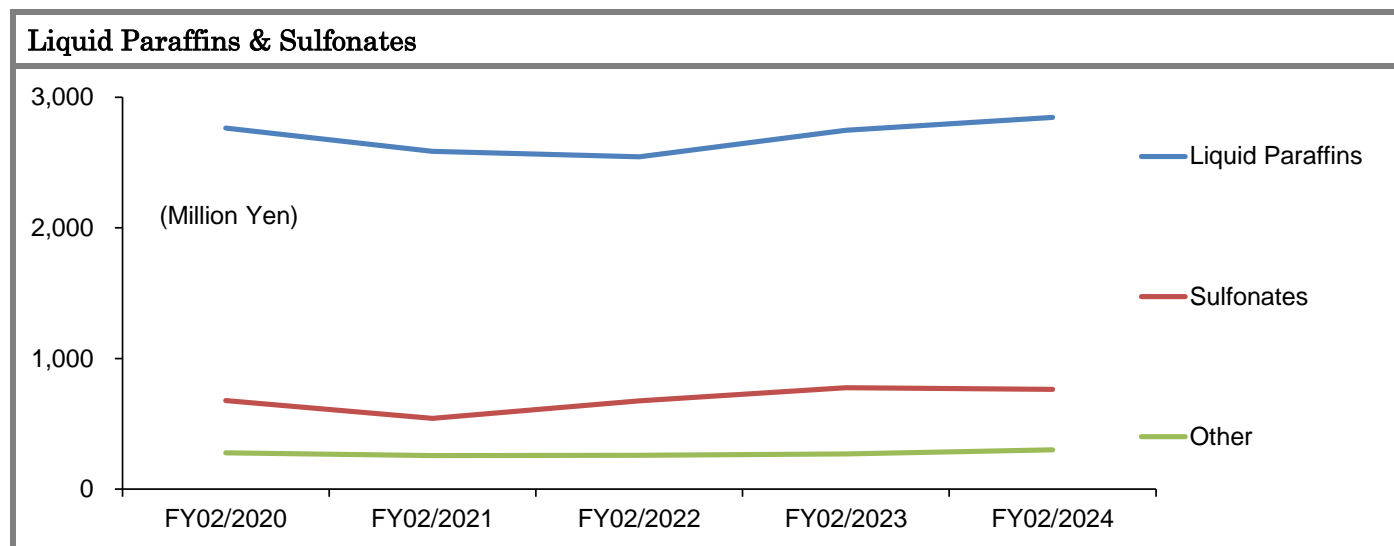


Source: Company Data

The Company suggests that sales volume has risen steadily for the mainstay hygiene materials, principally applied for disposable diapers, which is due mainly to strengths in Indonesia and India. However, the Company also suggests that it suffers from an intense price-oriented competition, resulting in a rather limited impact from revision on selling prices. By the way, according to the Company, the technology it has developed on this side is used as an important element in its project of developing sealants to make perovskite solar cells commercially viable.

Liquid Paraffins & Sulfonates (12.3% of sales)

For FY02/2024, sales came in at ¥3,909m (up 3.1%), while FY02/2025 Company forecasts are going for prospective sales of ¥4,000m (up 2.3%). At the same time, the midterm management plan assumes prospective sales of ¥4,300m for FY02/2027, the final year of the plan, implying CAGR of 3.2% during the period of the plan, when setting the FY02/2024 results as the point of origin.

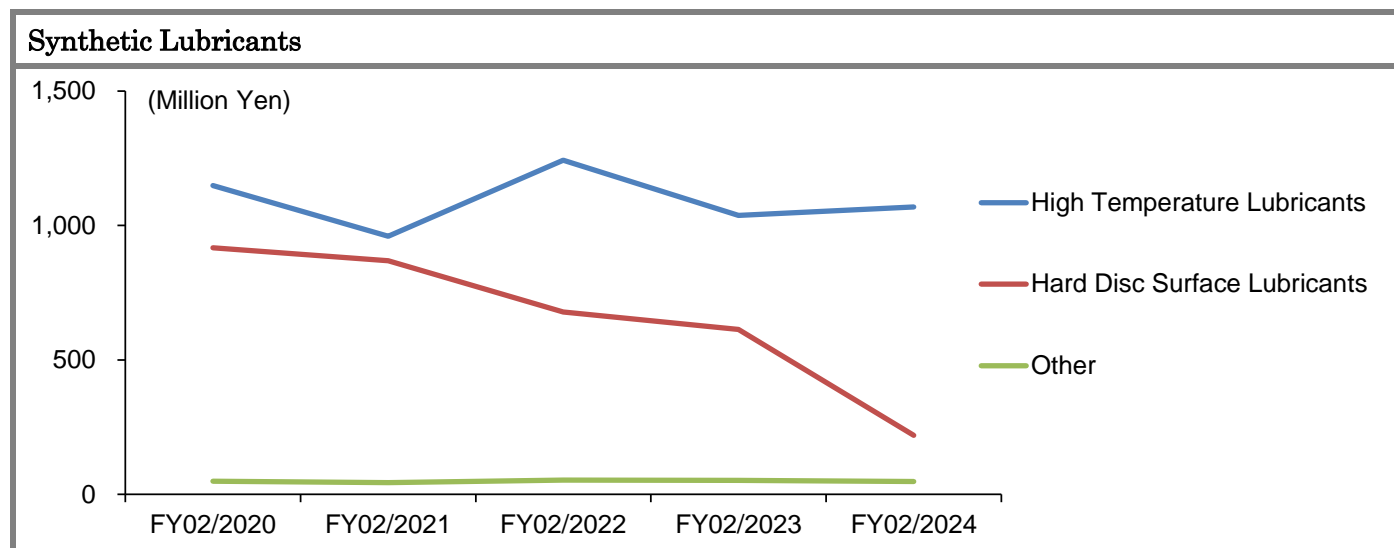


Source: Company Data

The Company suggests that sales volume of the mainstay liquid paraffins is declining over the previous year, which is attributable to a sluggishness in demand associated with polystyrene (plasticizers), the mainstay by application. However, sales have risen due to the impact of revision on selling prices. Specifically, liquid paraffins are used as additives to manufacture food trays, etc., whose demand has been impacted by removal of special demand stemming from Corona disaster. The disaster 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 (4.2% of sales)

For FY02/2024, sales came in at ¥1,337m (down 21.5%), while FY02/2025 Company forecasts are going for prospective sales of ¥1,350m (up 1.0%). At the same time, the midterm management plan assumes prospective sales of ¥1,700m for FY02/2027, the final year of the plan, implying CAGR of 8.3% during the period of the plan, when setting the FY02/2024 results as the point of origin.

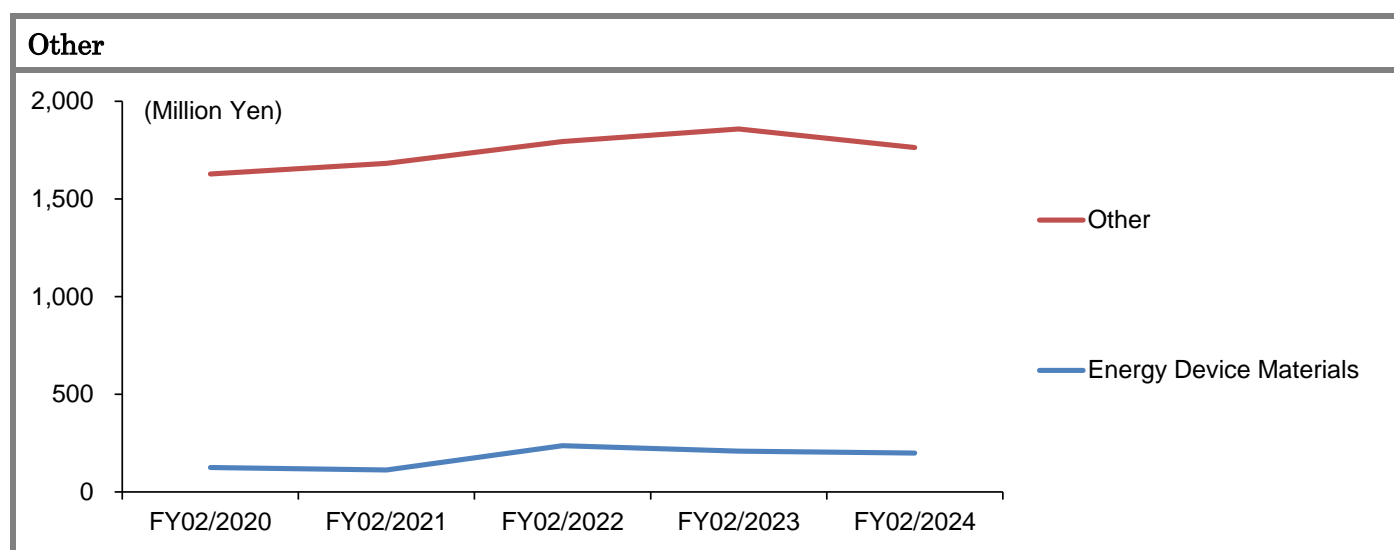


Source: Company Data

Sales of hard disc surface lubricants have plunged. According to the Company, this was due to extended inventory adjustments at distributors and stagnated investments in data centers, suggesting that the Company's hard disc surface lubricants are often adopted for hard disks of HDDs to store data in data centers. Meanwhile, the Company sees a sign of recovery for investments in data centers most recently but estimating that a full-scale recovery is unlikely to take place by the beginning of FY02/2026. Still, the Company, looking to the recovery in the near future, is currently accelerating development of next-generation products to respond to the future demand.

Other (6.2% of sales)

For FY02/2024, sales came in at ¥1,963m (down 5.1%), while FY02/2025 Company forecasts are going for prospective sales of ¥2,100m (up 7.0%). At the same time, the midterm management plan assumes prospective sales of ¥2,500m for FY02/2027, the final year of the plan, implying CAGR of 8.4% during the period of the plan, when setting the FY02/2024 results as the point of origin.



Source: Company Data

For the FY02/2024 results, sales on the Energy Device Materials side came in at ¥200m (down 4.6%) and sales on the Other side came in at ¥1,764m (down 5.1%). In the first place, they are the two independent business divisions, while the midterm management plan put them together and treats them as a single business division. On the Energy Device Materials side, the Company is involved with development, manufacture and sales of sealants for organic EL and related equipment. By the way, the Company is currently in the process of developing sealants to make perovskite solar cells commercially viable with technology accumulated on the Hot Melt Adhesives side as an important element, while another important element is of diversions and/or applications of technology and know-how cultivated on the Energy Device Materials 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 in CY2026, 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, it is agreed, generally speaking, 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 has participated in the 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 of 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 (no heating and/or no UV treatment required).”

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. For FY02/2025, the Company is to see delivery associated with a large-sized project, which is expected to bring forth strengths for sales on this side.

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%
FY02/2024Act	12-Apr-24	Q4 Results	31,886	1,225	1,826	1,283
		Amount of Gap	86	105	26	153
		Rate of Gap	0.3%	9.4%	1.4%	13.5%
FY02/2024CoE	11-Apr-23	Q4 Results	34,500	1,400	1,600	700
FY02/2024Act	12-Apr-24	Q4 Results	31,886	1,225	1,826	1,283
		Amount of Gap	(2,614)	(175)	226	583
		Rate of Gap	(7.6%)	(12.5%)	14.1%	83.3%
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 FY02/2024Act	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	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 FY02/2024Act	12-Apr-24	Q4 Results	16,500	697	893	714
		Amount of Gap	86	105	26	153
		Rate of Gap	0.5%	17.7%	3.0%	27.3%
Q3 to Q4 FY02/2024CoE	12-Oct-23	Q2 Results	19,114	872	667	131
Q3 to Q4 FY02/2024Act	12-Apr-24	Q4 Results	16,500	697	893	714
		Amount of Gap	(2,614)	(175)	226	583
		Rate of Gap	(13.7%)	(20.1%)	33.9%	445.0%

Source: Company Data, WRJ Calculation

Income Statement (Cumulative / Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	02/2023	02/2023	02/2023	02/2023	02/2024	02/2024	02/2024	02/2024		
Sales	7,050	14,523	22,479	30,333	7,596	15,386	23,731	31,886		+1,553
Cost of Sales	4,997	10,484	16,291	22,204	5,513	11,188	17,108	22,902		+698
Gross Profit	2,053	4,039	6,188	8,129	2,083	4,197	6,623	8,984		+855
SG&A Expenses	1,852	3,744	5,677	7,606	1,826	3,669	5,572	7,759		+153
Operating Profit	201	295	511	523	257	528	1,050	1,225		+702
Non-Operating Balance	270	551	633	523	138	405	649	601		+78
Recurring Profit	471	846	1,144	1,046	395	933	1,699	1,826		+780
Extraordinary Balance	-	-	-	-	-	-	250	229		+229
Profit before Income Taxes	471	846	1,144	1,046	395	933	1,949	2,055		+1,009
Total Income Taxes	116	286	347	320	125	262	455	606		+286
Profit Attributable to Non-Controlling Interests	38	56	78	112	47	102	159	165		+53
Profit Attributable to Owners of Parent	317	504	719	615	224	569	1,335	1,283		+668
Sales YoY	+5.9%	+8.7%	+10.1%	+11.1%	+7.7%	+5.9%	+5.6%	+5.1%		-
Operating Profit YoY	(61.4%)	(68.0%)	(62.8%)	(63.5%)	+28.0%	+78.8%	+105.5%	+134.2%		-
Recurring Profit YoY	(34.7%)	(27.3%)	(34.0%)	(48.0%)	(16.1%)	+10.4%	+48.6%	+74.6%		-
Profit Attributable to Owners of Parent YoY	(71.0%)	(62.9%)	(58.5%)	(66.0%)	(29.5%)	+13.0%	+85.8%	+108.8%		-
Gross Profit Margin	29.1%	27.8%	27.5%	26.8%	27.4%	27.3%	27.9%	28.2%		+1.4%
SG&A Ratio	26.3%	25.8%	25.3%	25.1%	24.0%	23.8%	23.5%	24.3%		(0.7%)
Operating Profit Margin	2.9%	2.0%	2.3%	1.7%	3.4%	3.4%	4.4%	3.8%		+2.1%
Recurring Profit Margin	6.7%	5.8%	5.1%	3.4%	5.2%	6.1%	7.2%	5.7%		+2.3%
Profit Attributable to Owners of Parent Margin	4.5%	3.5%	3.2%	2.0%	2.9%	3.7%	5.6%	4.0%		+2.0%
Total Income Taxes / Profit before Income Taxes	24.6%	33.8%	30.3%	30.6%	31.6%	28.1%	23.3%	29.5%		(1.1%)
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.
	02/2023	02/2023	02/2023	02/2023	02/2024	02/2024	02/2024	02/2024		
Sales	7,050	7,473	7,956	7,854	7,596	7,790	8,345	8,155		+301
Cost of Sales	4,997	5,487	5,807	5,913	5,513	5,675	5,920	5,794		(119)
Gross Profit	2,053	1,986	2,149	1,941	2,083	2,114	2,426	2,361		+420
SG&A Expenses	1,852	1,892	1,933	1,929	1,826	1,843	1,903	2,187		+258
Operating Profit	201	94	216	12	257	271	522	175		+163
Non-Operating Balance	270	281	82	(110)	138	267	244	(48)		+62
Recurring Profit	471	375	298	(98)	395	538	766	127		+225
Extraordinary Balance	-	-	-	-	-	-	250	(21)		(21)
Profit before Income Taxes	471	375	298	(98)	395	538	1,016	106		+204
Total Income Taxes	116	170	61	(27)	125	137	193	151		+178
Profit Attributable to Non-Controlling Interests	38	18	22	34	47	55	57	6		(28)
Profit Attributable to Owners of Parent	317	187	215	(104)	224	345	766	(52)		+52
Sales YoY	+5.9%	+11.4%	+12.9%	+14.1%	+7.7%	+4.2%	+4.9%	+3.8%		-
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%	29.0%		+4.2%
SG&A Ratio	26.3%	25.3%	24.3%	24.6%	24.0%	23.7%	22.8%	26.8%		+2.3%
Operating Profit Margin	2.9%	1.3%	2.7%	0.2%	3.4%	3.5%	6.3%	2.1%		+2.0%
Recurring Profit Margin	6.7%	5.0%	3.7%	(1.2%)	5.2%	6.9%	9.2%	1.6%		+2.8%
Profit Attributable to Owners of Parent Margin	4.5%	2.5%	2.7%	(1.3%)	2.9%	4.4%	9.2%	(0.6%)		+0.7%
Total Income Taxes / Profit before Income Taxes	24.6%	45.3%	20.5%	27.6%	31.6%	25.5%	19.0%	142.5%		+114.9%

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	15,295	20,229		+592
China	854	1,737	2,813	3,814	670	1,522	2,532	3,536		(278)
Southeast/South Asia (Thailand, Indonesia and India)	1,276	2,726	4,274	5,870	1,679	3,313	5,031	6,737		+867
North America	182	436	762	1,011	278	584	872	1,384		+373
Sales	7,050	14,523	22,479	30,333	7,596	15,386	23,731	31,886		+1,553
Japan	104	143	161	33	118	216	545	586		+553
China	48	95	205	311	28	80	160	118		(193)
Southeast/South Asia (Thailand, Indonesia and India)	24	41	86	123	85	149	230	309		+186
North America	14	32	78	87	11	80	112	181		+94
Segment Profit	189	311	531	553	242	525	1,046	1,194		+641
Adjustments	11	(16)	(20)	(30)	15	3	4	31		+61
Operating Profit	201	295	511	523	257	528	1,050	1,225		+702
Japan	2.2%	1.5%	1.1%	0.2%	2.4%	2.2%	3.6%	2.9%		+2.7%
China	5.6%	5.5%	7.3%	8.2%	4.2%	5.3%	6.3%	3.3%		(4.8%)
Southeast/South Asia (Thailand, Indonesia and India)	1.9%	1.5%	2.0%	2.1%	5.1%	4.5%	4.6%	4.6%		+2.5%
North America	7.7%	7.3%	10.2%	8.6%	4.0%	13.7%	12.8%	13.1%		+4.5%
Segment Profit Margin	2.7%	2.1%	2.4%	1.8%	3.2%	3.4%	4.4%	3.7%		+1.9%
Adjustments	0.2%	(0.1%)	(0.1%)	(0.1%)	0.2%	0.0%	0.0%	0.1%		+0.2%
Operating Profit Margin	2.9%	2.0%	2.3%	1.7%	3.4%	3.4%	4.4%	3.8%		+2.1%

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	5,329	4,934		(74)
China	854	883	1,076	1,001	670	852	1,010	1,004		+3
Southeast/South Asia (Thailand, Indonesia and India)	1,276	1,450	1,548	1,596	1,679	1,634	1,718	1,706		+110
North America	182	254	326	249	278	306	288	512		+263
Sales	7,050	7,473	7,956	7,854	7,596	7,790	8,345	8,155		+301
Japan	104	39	18	(128)	118	98	329	41		+169
China	48	47	110	106	28	52	80	(42)		(148)
Southeast/South Asia (Thailand, Indonesia and India)	24	17	45	37	85	64	81	79		+42
North America	14	18	46	9	11	69	32	69		+60
Segment Profit	189	122	220	22	242	283	521	148		+126
Adjustments	11	(27)	(4)	(10)	15	(12)	1	27		+37
Operating Profit	201	94	216	12	257	271	522	175		+163
Japan	2.2%	0.8%	0.4%	(2.6%)	2.4%	2.0%	6.2%	0.8%		+3.4%
China	5.6%	5.3%	10.2%	10.6%	4.2%	6.1%	7.9%	(4.2%)		(14.8%)
Southeast/South Asia (Thailand, Indonesia and India)	1.9%	1.2%	2.9%	2.3%	5.1%	3.9%	4.7%	4.6%		+2.3%
North America	7.7%	7.1%	14.1%	3.6%	4.0%	22.5%	11.1%	13.5%		+9.9%
Segment Profit Margin	2.7%	1.6%	2.8%	0.3%	3.2%	3.6%	6.2%	1.8%		+1.5%
Adjustments	0.2%	(0.4%)	(0.1%)	(0.1%)	0.2%	(0.2%)	0.0%	0.3%		+0.5%
Operating Profit Margin	2.9%	1.3%	2.7%	0.2%	3.4%	3.5%	6.3%	2.1%		+2.0%

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	16,247	16,247	+1,142
Synthetic Lubricants	502	991	1,381	1,703	301	607	957	1,337	1,337	(366)
Liquid Paraffins & Sulfonates	902	1,855	2,849	3,793	998	1,940	2,993	3,909	3,909	+116
Hot Melt Adhesives	1,809	3,754	5,801	7,664	2,108	4,194	6,419	8,430	8,430	+766
Energy Device Materials	45	84	128	209	30	54	124	200	200	(9)
Other	372	812	1,239	1,859	470	856	1,272	1,764	1,764	(95)
Sales	7,050	14,523	22,479	30,333	7,596	15,386	23,731	31,886	31,886	+1,553
Functional Fluids	+10.9%	+10.8%	+14.4%	+16.0%	+7.8%	+10.1%	+8.0%	+7.6%	+7.6%	-
Synthetic Lubricants	(0.1%)	(4.1%)	(9.7%)	(13.7%)	(40.0%)	(38.7%)	(30.7%)	(21.5%)	(21.5%)	-
Liquid Paraffins & Sulfonates	+11.9%	+11.0%	+10.5%	+9.0%	+10.6%	+4.6%	+5.1%	+3.1%	+3.1%	-
Hot Melt Adhesives	+8.2%	+12.9%	+14.1%	+13.0%	+16.6%	+11.7%	+10.7%	+10.0%	+10.0%	-
Energy Device Materials	(21.3%)	(34.5%)	(35.1%)	(11.8%)	(31.9%)	(35.7%)	(3.3%)	(4.6%)	(4.6%)	-
Other	(29.5%)	(5.4%)	(6.7%)	+3.6%	+26.4%	+5.3%	+2.6%	(5.1%)	(5.1%)	-
Sales (YoY)	+5.9%	+8.7%	+10.1%	+11.1%	+7.7%	+5.9%	+5.6%	+5.1%	+5.1%	-
Functional Fluids	48.5%	48.4%	49.3%	49.8%	48.6%	50.3%	50.4%	51.0%	51.0%	-
Synthetic Lubricants	7.1%	6.8%	6.1%	5.6%	4.0%	3.9%	4.0%	4.2%	4.2%	-
Liquid Paraffins & Sulfonates	12.8%	12.8%	12.7%	12.5%	13.1%	12.6%	12.6%	12.3%	12.3%	-
Hot Melt Adhesives	25.7%	25.8%	25.8%	25.3%	27.8%	27.3%	27.0%	26.4%	26.4%	-
Energy Device Materials	0.6%	0.6%	0.6%	0.7%	0.4%	0.4%	0.5%	0.6%	0.6%	-
Other	5.3%	5.6%	5.5%	6.1%	6.2%	5.6%	5.4%	5.5%	5.5%	-
Sales (Component Percentages)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-
Sales by Business Division	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	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	4,282	4,282	+258
Synthetic Lubricants	502	489	390	322	301	306	350	380	380	+58
Liquid Paraffins & Sulfonates	902	953	994	944	998	942	1,053	916	916	(28)
Hot Melt Adhesives	1,809	1,945	2,047	1,863	2,108	2,086	2,225	2,011	2,011	+148
Energy Device Materials	45	39	44	81	30	24	70	76	76	(5)
Other	372	440	427	620	470	386	416	492	492	(128)
Sales	7,050	7,473	7,956	7,854	7,596	7,790	8,345	8,155	8,155	+301
Functional Fluids	+10.9%	+10.7%	+21.2%	+20.7%	+7.8%	+12.2%	+4.3%	+6.4%	+6.4%	-
Synthetic Lubricants	(0.1%)	(7.7%)	(21.4%)	(27.6%)	(40.0%)	(37.4%)	(10.3%)	+18.0%	+18.0%	-
Liquid Paraffins & Sulfonates	+11.9%	+10.2%	+9.6%	+4.8%	+10.6%	(1.2%)	+5.9%	(3.0%)	(3.0%)	-
Hot Melt Adhesives	+8.2%	+17.6%	+16.2%	+9.7%	+16.6%	+7.2%	+8.7%	+7.9%	+7.9%	-
Energy Device Materials	(21.3%)	(45.1%)	(37.1%)	+107.7%	(31.9%)	(38.5%)	+59.1%	(6.2%)	(6.2%)	-
Other	(29.5%)	+32.9%	(9.0%)	+33.0%	+26.4%	(12.3%)	(2.6%)	(20.6%)	(20.6%)	-
Sales (YoY)	+5.9%	+11.4%	+12.9%	+14.1%	+7.7%	+4.2%	+4.9%	+3.8%	+3.8%	-
Functional Fluids	48.5%	48.3%	51.0%	51.2%	48.6%	52.0%	50.7%	52.5%	52.5%	-
Synthetic Lubricants	7.1%	6.5%	4.9%	4.1%	4.0%	3.9%	4.2%	4.7%	4.7%	-
Liquid Paraffins & Sulfonates	12.8%	12.8%	12.5%	12.0%	13.1%	12.1%	12.6%	11.2%	11.2%	-
Hot Melt Adhesives	25.7%	26.0%	25.7%	23.7%	27.8%	26.8%	26.7%	24.7%	24.7%	-
Energy Device Materials	0.6%	0.5%	0.6%	1.0%	0.4%	0.3%	0.8%	0.9%	0.9%	-
Other	5.3%	5.9%	5.4%	7.9%	6.2%	5.0%	5.0%	6.0%	6.0%	-
Sales (Component Percentages)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 02/2023	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	5,636	+1,380	
Accounts Receivables	7,046	7,524	7,831	7,595	7,462	7,453	8,016	7,942	+347	
Inventory	5,727	6,102	6,311	6,306	6,451	6,378	6,505	6,687	+381	
Other	580	493	614	653	564	566	1,399	724	+71	
Current Assets	17,165	18,285	18,928	18,810	18,412	18,153	21,872	20,989	+2,179	
Tangible Assets	8,330	8,395	8,537	8,610	8,666	9,114	9,540	10,140	+1,530	
Intangible Assets	614	649	643	589	749	744	735	1,228	+639	
Investments and Other Assets	3,583	3,764	3,820	4,002	4,068	4,166	4,370	4,695	+693	
Fixed Assets	12,527	12,808	13,001	13,202	13,483	14,024	14,645	16,063	+2,861	
Deferred Assets	-	-	-	6	18	32	42	-	(6)	
Total Assets	29,691	31,092	31,929	32,017	31,913	32,208	36,559	37,053	+5,036	
Accounts Payables	4,419	4,926	5,173	5,144	4,828	4,467	4,581	4,908	(236)	
Short-Term Debt	857	1,546	1,549	2,381	2,145	2,096	2,806	3,040	+659	
Other	2,052	1,611	2,245	2,074	1,787	1,629	2,176	1,912	(162)	
Current Liabilities	7,328	8,083	8,967	9,599	8,760	8,192	9,563	9,860	+261	
Long-Term Debt	457	382	307	472	942	887	2,994	3,065	+2,593	
Other	785	910	834	707	667	748	814	1,006	+299	
Fixed Liabilities	1,242	1,292	1,141	1,179	1,609	1,635	3,808	4,071	+2,892	
Total Liabilities	8,570	9,375	10,108	10,778	10,369	9,827	13,371	13,931	+3,153	
Shareholders' Equity	17,357	17,361	17,392	17,287	17,327	17,678	18,254	18,202	+915	
Other	3,764	4,356	4,428	3,953	4,217	4,703	4,934	4,920	+967	
Net Assets	21,121	21,717	21,820	21,240	21,544	22,381	23,188	23,122	+1,882	
Total Liabilities & Net Assets	29,691	31,092	31,929	32,017	31,913	32,208	36,559	37,053	+5,036	
Equity Capital	18,492	18,945	19,016	18,533	18,743	19,418	20,143	20,126	+1,593	
Interest Bearing Debt	1,314	1,928	1,856	2,853	3,087	2,983	5,800	6,105	+3,252	
Net Debt	(2,498)	(2,238)	(2,316)	(1,403)	(848)	(773)	(152)	469	+1,872	
Equity Ratio	62.3%	60.9%	59.6%	57.9%	58.7%	60.3%	55.1%	54.3%	-	
Net Debt Equity Ratio	(13.5%)	(11.8%)	(12.2%)	(7.6%)	(4.5%)	(4.0%)	(0.8%)	2.3%	-	
ROE (12 months)	5.8%	5.2%	4.4%	3.4%	2.8%	3.5%	6.3%	6.6%	-	
ROA (12 months)	6.1%	5.8%	4.7%	3.4%	3.1%	3.6%	4.7%	5.3%	-	
Days for Inventory Turnover	104	101	99	97	106	102	100	105	-	
Quick Ratio	148%	145%	134%	123%	130%	137%	146%	138%	-	
Current Ratio	234%	226%	211%	196%	210%	222%	229%	213%	-	

Source: Company Data, WRJ Calculation

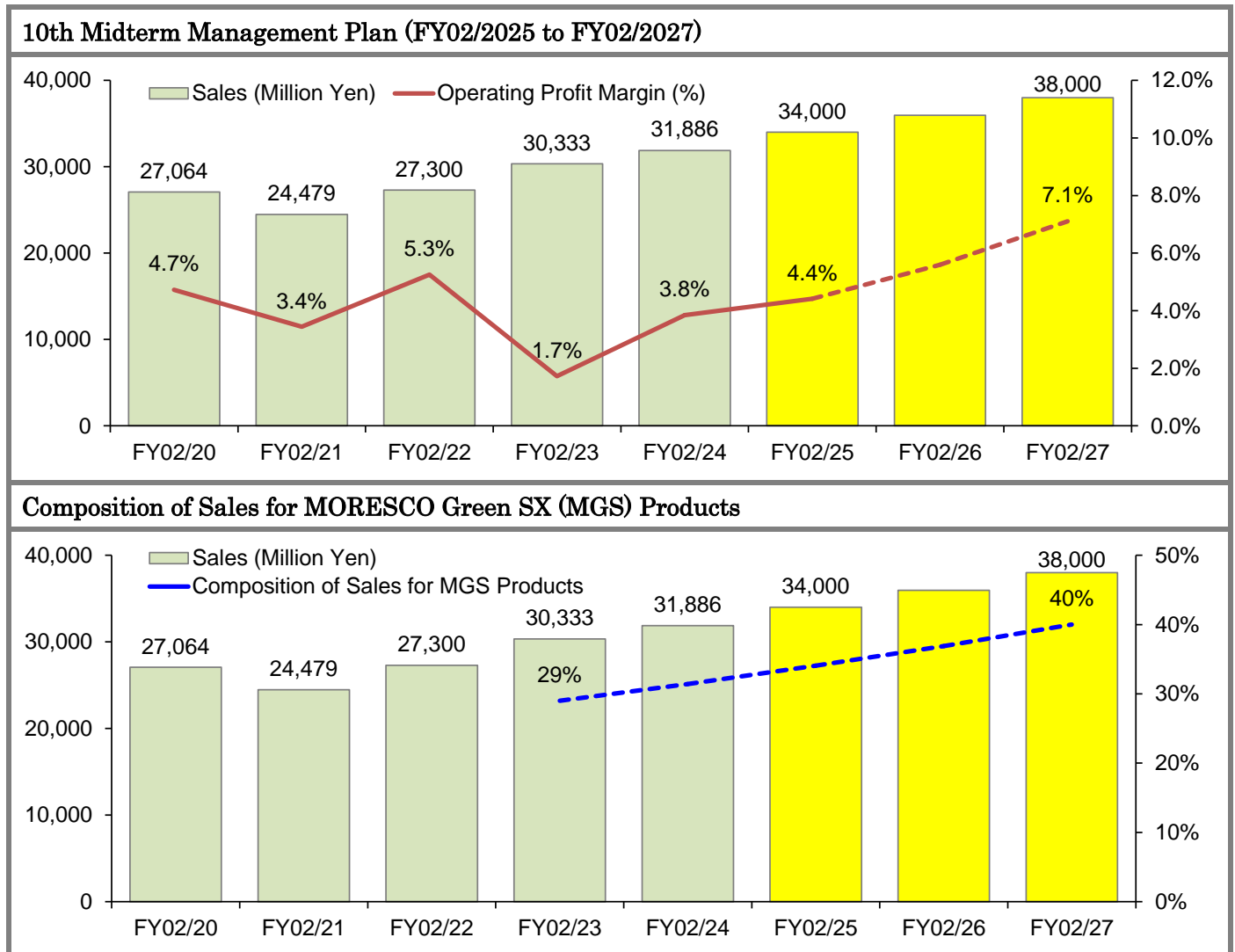
Cash Flow Statement (Cumulative)

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	-	2,934	+2,419	
Investing Cash Flow	-	(718)	-	(1,172)	-	(1,305)	-	(4,250)	(3,078)	
Operating Cash Flow and Investing Cash Flow	-	(183)	-	(657)	-	(301)	-	(1,316)	(659)	
Financing Cash Flow	-	487	-	1,227	-	(115)	-	2,819	+1,592	

Source: Company Data, WRJ Calculation

Long-Term Prospects

FY02/2025 Company forecasts are going for prospective sales of ¥34,000m (up 6.6% YoY), operating profit of ¥1,500m (up 22.5%), recurring profit of ¥1,850m (up 1.3%) and profit attributable to owners of parent of ¥1,050m (down 18.2%), while operating profit margin of 4.4% (up 0.6% points). At the same time, Company forecasts are going for planned annual dividend of ¥45.00 per share, implying payout ratio of 39.3%.



Source: Company Data, WRJ Calculation

Meanwhile, on 21 February 2024, the Company has announced its 10th midterm management plan (FY02/2025 to FY02/2027), revealing its policy to achieve sustainable growth from a long-term perspective by means of satisfying both of Realization of a Sustainable Society and Enhancement of Added Value for Business. The management target is calling for prospective sales of ¥38,000m, operating profit of ¥2,700m and recurring profit of ¥3,000m for FY02/2027, the final year of the plan, as well as 40% (versus 29% for FY02/2023). with respect to composition of sales for MORESCO Green SX (MGS) Products. At the same time, the Company is calling for a level of ROE at 8% (versus 6.6% for FY02/2024) for FY02/2027.

When setting the FY02/2024 results as the point of origin, the plan is calling for CAGR of 6.0% in sales and 30.1% in operating profit during the relevant period, while operating profit margin to rise by 3.3% points to 7.1% from 3.8%. According to the Company, a major contribution will come from its focus on sales enhancement on MGS Products, i.e., high value added products to reduce environmental load, represented by GRAPHACE MQ Series (water-soluble minimum quantity spray-type lubricants) and HYDOL (water-glycol fire-resistant hydraulic fluids). In other words, the Company is involved with development, manufacture and sale of high value-added products to reduce environmental load with respect to mold lubricants for diecasting and hydraulic fluids basically applied for steel-related domain, belonging to the Functional Fluids side, the mainstay by business division, while currently concentrating own resources on development, manufacture and sale of equivalents across the board for the future, as far as we could gather.

With respect to GRAPHACE MQ Series (water-soluble minimum quantity spray-type lubricants), the Company is so much keen on refinement of existing products as well as development, manufacture and sales of new products due to the aspect of high effectiveness in terms of energy conservation, environmental preservation and improvement of work environment, which is to push on with the Company's sustainability management. At the same time, they do carry high added value and thus high gross profit margin due to the said aspect, which is also true of HYDOL (water-glycol fire-resistant hydraulic fluids) to cut back on CO2 emission and contribute to environmental preservation.

At the same time, the Company is also keen on deploying various efforts to create promising operations to contribute subsequently, e.g., development of sealants to make perovskite solar cells commercially viable and/or cosmetic products that compound nanoemulsion (MORESCO-NANOREACH), which is proprietary for the Company. With respect to the latter, a probability is suggested for a major cosmetics company to procure the products from the Company, even in a short-term view, with a high evaluation on the epoch-making functionalities.

The Company is trying to get at seeing growth from a long-term perspective by means of implementing all those measures, while setting return of earnings driven by the growth to shareholders as a high momentous issue of management, revealing its policy to strive the return while maintaining an appropriate level of retained earnings. Specifically, the Company is calling for prospective annual dividend, equating 30% or higher in terms of payout ratio, from a long-term perspective.

Furthermore, the Company is also striving to improve capital efficiency. In light of FY02/2025 Company forecasts and equity capital as of the end of FY02/2024, the Company is to see ROE of 5.2% (profit attributable to owners of parent of ¥1,050m, divided by equity capital of ¥20,126m), while trying to see level of up to 8% in ROE for FY02/2027, as above-mentioned. For FY02/2024, there is an aspect that the Company saw level of ROE (6.6%), rather higher than the real picture, due to the aforementioned one-off gains recorded at the non-operating and extraordinary levels.

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
	02/2020	02/2021	02/2022	02/2023	02/2024	02/2025	Net Chg.
Sales	27,064	24,479	27,300	30,333	31,886	34,000	+2,114
Cost of Sales	18,330	16,640	18,575	22,204	22,902	-	-
Gross Profit	8,734	7,838	8,725	8,129	8,984	-	-
SG&A Expenses	7,456	6,996	7,291	7,606	7,759	-	-
Operating Profit	1,279	842	1,434	523	1,225	1,500	+275
Non-Operating Balance	289	188	577	523	601	350	(251)
Recurring Profit	1,568	1,030	2,011	1,046	1,826	1,850	+24
Extraordinary Balance	-	(119)	833	-	229	-	-
Profit before Income Taxes	1,568	911	2,844	1,046	2,055	-	-
Total Income Taxes	540	240	831	320	606	-	-
Profit Attributable to Non-Controlling Interests	251	153	205	112	165	-	-
Profit Attributable to Owners of Parent	776	518	1,808	615	1,283	1,050	(233)
Sales YoY	(6.0%)	(9.6%)	+11.5%	+11.1%	+5.1%	+6.6%	-
Operating Profit YoY	(34.4%)	(34.1%)	+70.3%	(63.5%)	+134.2%	+22.5%	-
Recurring Profit YoY	(28.8%)	(34.3%)	+95.3%	(48.0%)	+74.6%	+1.3%	-
Profit Attributable to Owners of Parent YoY	(46.0%)	(33.3%)	+249.1%	(66.0%)	+108.8%	(18.2%)	-
Gross Profit Margin	32.3%	32.0%	32.0%	26.8%	28.2%	-	-
SG&A Ratio	27.5%	28.6%	26.7%	25.1%	24.3%	-	-
Operating Profit Margin	4.7%	3.4%	5.3%	1.7%	3.8%	4.4%	+0.6%
Recurring Profit Margin	5.8%	4.2%	7.4%	3.4%	5.7%	5.4%	(0.3%)
Profit Attributable to Owners of Parent Margin	2.9%	2.1%	6.6%	2.0%	4.0%	3.1%	(0.9%)
Total Income Taxes / Profit before Income Taxes	34.4%	26.3%	29.2%	30.6%	29.5%	-	-

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
	02/2020	02/2021	02/2022	02/2023	02/2024	02/2025	Net Chg.
Japan	19,005	17,220	18,385	19,637	20,229	-	-
China	2,919	2,957	3,625	3,814	3,536	-	-
Southeast/South Asia (Thailand, Indonesia and India)	4,427	3,671	4,501	5,870	6,737	-	-
North America	713	631	789	1,011	1,384	-	-
Sales	27,064	24,479	27,300	30,333	31,886	34,000	+2,114
Japan	909	438	805	33	586	-	-
China	251	350	432	311	118	-	-
Southeast/South Asia (Thailand, Indonesia and India)	143	6	86	123	309	-	-
North America	(21)	43	107	87	181	-	-
Segment Profit	1,283	837	1,431	553	1,194	-	-
Adjustments	(4)	5	4	(30)	31	-	-
Operating Profit	1,279	842	1,434	523	1,225	1,500	+275
Japan	4.8%	2.5%	4.4%	0.2%	2.9%	-	-
China	8.6%	11.8%	11.9%	8.2%	3.3%	-	-
Southeast/South Asia (Thailand, Indonesia and India)	3.2%	0.2%	1.9%	2.1%	4.6%	-	-
North America	(2.9%)	6.8%	13.6%	8.6%	13.1%	-	-
Segment Profit Margin	4.7%	3.4%	5.2%	1.8%	3.7%	-	-
Adjustments	(0.0%)	0.0%	0.0%	(0.1%)	0.1%	-	-
Operating Profit Margin	4.7%	3.4%	5.3%	1.7%	3.8%	4.4%	+0.6%

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
	02/2020	02/2021	02/2022	02/2023	02/2024	02/2025	Net Chg.
Functional Fluids	12,540	10,566	13,021	15,105	16,247	18,150	+1,903
Synthetic Lubricants	2,115	1,872	1,974	1,703	1,337	1,350	+13
Liquid Paraffins & Sulfonates	3,720	3,385	3,480	3,793	3,909	4,000	+91
Hot Melt Adhesives	6,882	6,807	6,785	7,664	8,430	8,400	(30)
Energy Device Materials	126	113	237	209	200	-	-
Other	1,628	1,682	1,794	1,859	1,764	-	-
Chemical Business	27,011	24,425	27,292	30,333	31,886	34,000	+2,114
Rental Building Business	53	53	8	-	-	-	-
Sales	27,064	24,479	27,300	30,333	31,886	34,000	+2,114
Functional Fluids	(4.7%)	(15.7%)	+23.2%	+16.0%	+7.6%	+11.7%	-
Synthetic Lubricants	(18.7%)	(11.5%)	+5.5%	(13.7%)	(21.5%)	+1.0%	-
Liquid Paraffins & Sulfonates	(4.0%)	(9.0%)	+2.8%	+9.0%	+3.1%	+2.3%	-
Hot Melt Adhesives	(6.0%)	(1.1%)	(0.3%)	+13.0%	+10.0%	(0.4%)	-
Energy Device Materials	-	(10.3%)	+109.9%	(11.8%)	(4.6%)	-	-
Other	(5.3%)	+3.3%	+6.6%	+3.6%	(5.1%)	-	-
Chemical Business	(6.1%)	(9.6%)	+11.7%	+11.1%	+5.1%	+6.6%	-
Rental Building Business	0.0%	0.0%	(84.2%)	-	-	-	-
Sales (YoY)	(6.0%)	(9.6%)	+11.5%	+11.1%	+5.1%	+6.6%	-
Functional Fluids	46.3%	43.2%	47.7%	49.8%	51.0%	53.4%	-
Synthetic Lubricants	7.8%	7.6%	7.2%	5.6%	4.2%	4.0%	-
Liquid Paraffins & Sulfonates	13.7%	13.8%	12.7%	12.5%	12.3%	11.8%	-
Hot Melt Adhesives	25.4%	27.8%	24.9%	25.3%	26.4%	24.7%	-
Energy Device Materials	0.5%	0.5%	0.9%	0.7%	0.6%	-	-
Other	6.0%	6.9%	6.6%	6.1%	5.5%	-	-
Chemical Business	99.8%	99.8%	100.0%	100.0%	100.0%	100.0%	-
Rental Building Business	0.2%	0.2%	0.0%	-	-	-	-
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
	02/2020	02/2021	02/2022	02/2023	02/2024	02/2025	Net Chg.
Cash and Deposit	3,576	4,108	4,001	4,256	5,636	-	-
Accounts Receivables	6,720	6,643	6,844	7,595	7,942	-	-
Inventory	4,779	4,242	5,326	6,306	6,687	-	-
Other	361	311	436	653	724	-	-
Current Assets	15,436	15,304	16,607	18,810	20,989	-	-
Tangible Assets	9,034	8,518	8,304	8,610	10,140	-	-
Intangible Assets	1,046	792	633	589	1,228	-	-
Investments and Other Assets	2,613	3,093	3,465	4,002	4,695	-	-
Fixed Assets	12,693	12,403	12,401	13,202	16,063	-	-
Deferred Assets	-	-	-	6	-	-	-
Total Assets	28,129	27,707	29,008	32,017	37,053	-	-
Accounts Payables	4,072	3,975	4,308	5,144	4,908	-	-
Short-Term Debt	2,341	2,544	560	2,381	3,040	-	-
Other	1,650	1,602	2,392	2,074	1,912	-	-
Current Liabilities	8,063	8,121	7,260	9,599	9,860	-	-
Long-Term Debt	1,244	775	350	472	3,065	-	-
Other	612	649	847	707	1,006	-	-
Fixed Liabilities	1,856	1,424	1,197	1,179	4,071	-	-
Total Liabilities	9,919	9,545	8,457	10,778	13,931	-	-
Shareholders' Equity	15,939	15,836	17,227	17,287	18,202	-	-
Other	2,270	2,327	3,324	3,953	4,920	-	-
Net Assets	18,209	18,163	20,551	21,240	23,122	-	-
Total Liabilities & Net Assets	28,129	27,707	29,008	32,017	37,053	-	-
Equity Capital	15,931	15,899	17,962	18,533	20,126	-	-
Interest Bearing Debt	3,585	3,319	910	2,853	6,105	-	-
Net Debt	9	(789)	(3,091)	(1,403)	469	-	-
Equity Ratio	56.6%	57.4%	61.9%	57.9%	54.3%	-	-
Net Debt Equity Ratio	0.1%	(5.0%)	(17.2%)	(7.6%)	2.3%	-	-
ROE (12 months)	4.9%	3.3%	10.7%	3.4%	6.6%	-	-
ROA (12 months)	5.6%	3.7%	7.1%	3.4%	5.3%	-	-
Days for Inventory Turnover	95	93	104	103	106	-	-
Quick Ratio	128%	132%	149%	123%	138%	-	-
Current Ratio	191%	188%	229%	196%	213%	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement

Cash Flow Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
(Million Yen)	FY	FY	FY	FY	FY	FY	YoY
	02/2020	02/2021	02/2022	02/2023	02/2024	02/2025	Net Chg.
Operating Cash Flow	1,771	2,088	2,333	515	2,934	-	-
Investing Cash Flow	(1,589)	(660)	603	(1,172)	(4,250)	-	-
Operating Cash Flow and Investing Cash Flow	182	1,428	2,936	(657)	(1,316)	-	-
Financing Cash Flow	78	(1,019)	(2,937)	1,227	2,819	-	-

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
	02/2020	02/2021	02/2022	02/2023	02/2024	02/2025	Net Chg.
No. of Shares FY End (thousand shares)	9,697	9,697	9,697	9,697	9,697	-	-
Net Profit / EPS (thousand shares)	9,591	9,577	9,380	9,291	9,230	-	-
Treasury Shares FY End (thousand shares)	98	321	317	469	464	-	-
Earnings Per Share	80.91	54.09	192.76	66.19	139.01	114.58	-
Earnings Per Share (Fully Diluted)	-	-	-	-	-	-	-
Book Value Per Share	1,659.74	1,695.81	1,914.94	2,008.49	2,179.85	-	-
Dividend Per Share	50.00	40.00	40.00	40.00	45.00	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
	02/2020	02/2021	02/2022	02/2023	02/2024	02/2025	Net Chg.
Share Split Factor	1	1	1	1	1	1	-
Earnings Per Share	80.91	54.09	192.76	66.19	139.01	114.58	-
Book Value Per Share	1,659.74	1,695.81	1,914.94	2,008.49	2,179.85	-	-
Dividend Per Share	50.00	40.00	40.00	40.00	45.00	45.00	-
Payout Ratio	61.8%	74.0%	20.8%	60.4%	32.4%	39.3%	-

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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