

## 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	114.50	45.00	-
FY02/2024		YoY	5.1%	134.2%	74.6%	-	-	-
FY02/2025CoE		YoY	6.6%	22.5%	1.3%	-	-	-
Consolidated Quarter (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 FY02/2024		7,596	257	395	224	-	-	-
Q2 FY02/2024		7,790	271	538	345	-	-	-
Q3 FY02/2024		8,345	522	766	766	-	-	-
Q4 FY02/2024		8,155	175	127	(52)	-	-	-
Q1 FY02/2025		8,254	189	450	250	-	-	-
Q1 FY02/2025		YoY	8.7%	(26.3%)	13.8%	-	-	-

Source: Company Data, WRJ Calculation

### 1.0 Executive Summary (6 September 2024)

#### Adjustment and Recovery


MORESCO, running operations of R&D, manufacture and sale of chemical goods used in diverse applications with autos as the mainstay, sees short-term operating profit margin being under pressure, but going for a recovery on a full-year basis for FY02/2025, which is to be followed by a further improvement in the longer term. For the actual results of Q1 FY02/2025, the Company has achieved an increase in sales and gross profit as well as an improvement in gross profit margin over the same period of the previous year, but operating profit margin has declined as the impact of increased SG&A expenses was more than offsetting. With an objective of driving long-term growth potential, the Company has newly consolidated foreign subsidiaries, which is a factor for the increase in SG&A expenses, while having intensively posted expenses on a R&D project at the same time. Most recently, sales of hard disk surface lubricants, carrying high gross profit margin, are entering a recovery phase, but this was not sufficient enough to more than compensate for the increase in SG&A expenses with respect to the Q1 results, according to the Company. From a mid-term perspective, meanwhile, the Company expects a gradual increase of contribution to earnings from the said new subsidiaries. Longer-term, the Company is looking to its operations to manufacture and sell sealants to make perovskite solar cells commercially viable as well as anticipating those of developing, manufacturing and selling epoch-making cosmetics empowered by its proprietary technology of nanoemulsion (MORESCO-NANOREACH) to contribute to the performance.

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

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## 2.0 Company Profile

### Interface Science Specialist

<b>Company Name</b>	MORESCO Corporation <a href="#">Company Website</a> <a href="#">IR Information</a> <a href="#">Share Price (Japanese)</a> 
<b>Established</b>	27 October 1958
<b>Listing</b>	20 October 2023: Tokyo Stock Exchange Standard Market (ticker: 5018) 4 April 2022: Tokyo Stock Exchange Prime Market 14 February 2011: Tokyo Stock Exchange 1st section 29 July 2008: Tokyo Stock Exchange 2nd section 13 November 2003: Registered on the over-the-counter market of JSDA
<b>Capital</b>	¥2,118m (as of the end of May 2024)
<b>No. of Shares</b>	9,696,500 shares, including 535,320 treasury shares (as of the end of May 2024)
<b>Main Features</b>	<ul style="list-style-type: none"> <li>● Independent (non-keiretsu) manufacturer of chemical goods, some 45% exposed to autos by application in terms of sales</li> <li>● Specializing in “interface science” with exclusive exposure to niche markets</li> <li>● Development, manufacture and sale of chemical goods to fulfil the functionalities of lubrications, adhesives and surface protections</li> </ul>
<b>Segments</b>	I . Japan II . China III. Southeast/South Asia (Thailand, Indonesia and India) IV. North America
<b>Representative</b>	CEO, Representative Director and President: Motohisa Morozumi
<b>Shareholders</b>	Matsumura Oil 11.5%, Cosmo Oil Lubricants 5.4%, 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)
<b>Head Office</b>	Kobe-city, Hyogo-prefecture, JAPAN
<b>No. of Personnel</b>	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 and R&D Center

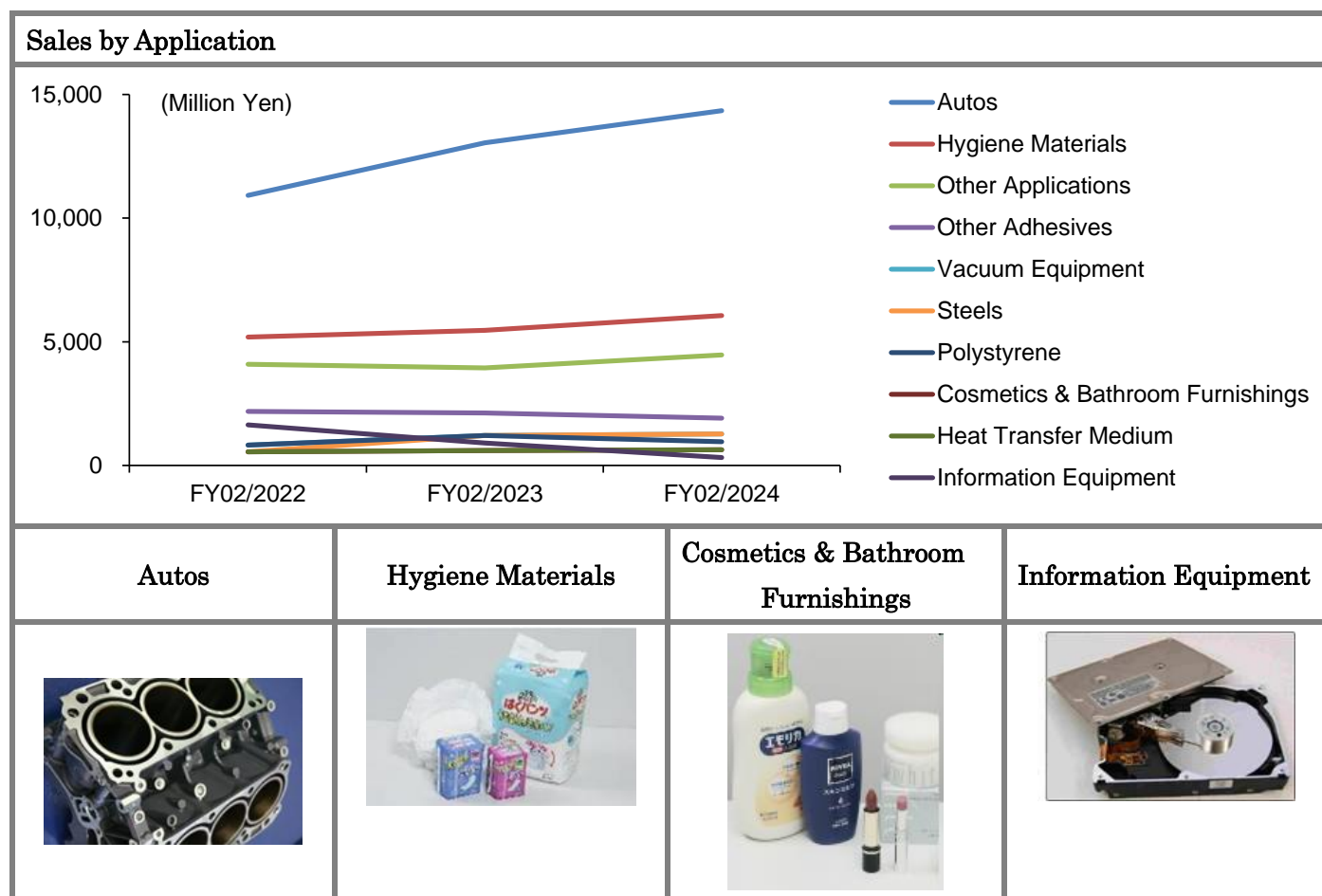


Source: Company Data

### 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% market share in 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 said 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.

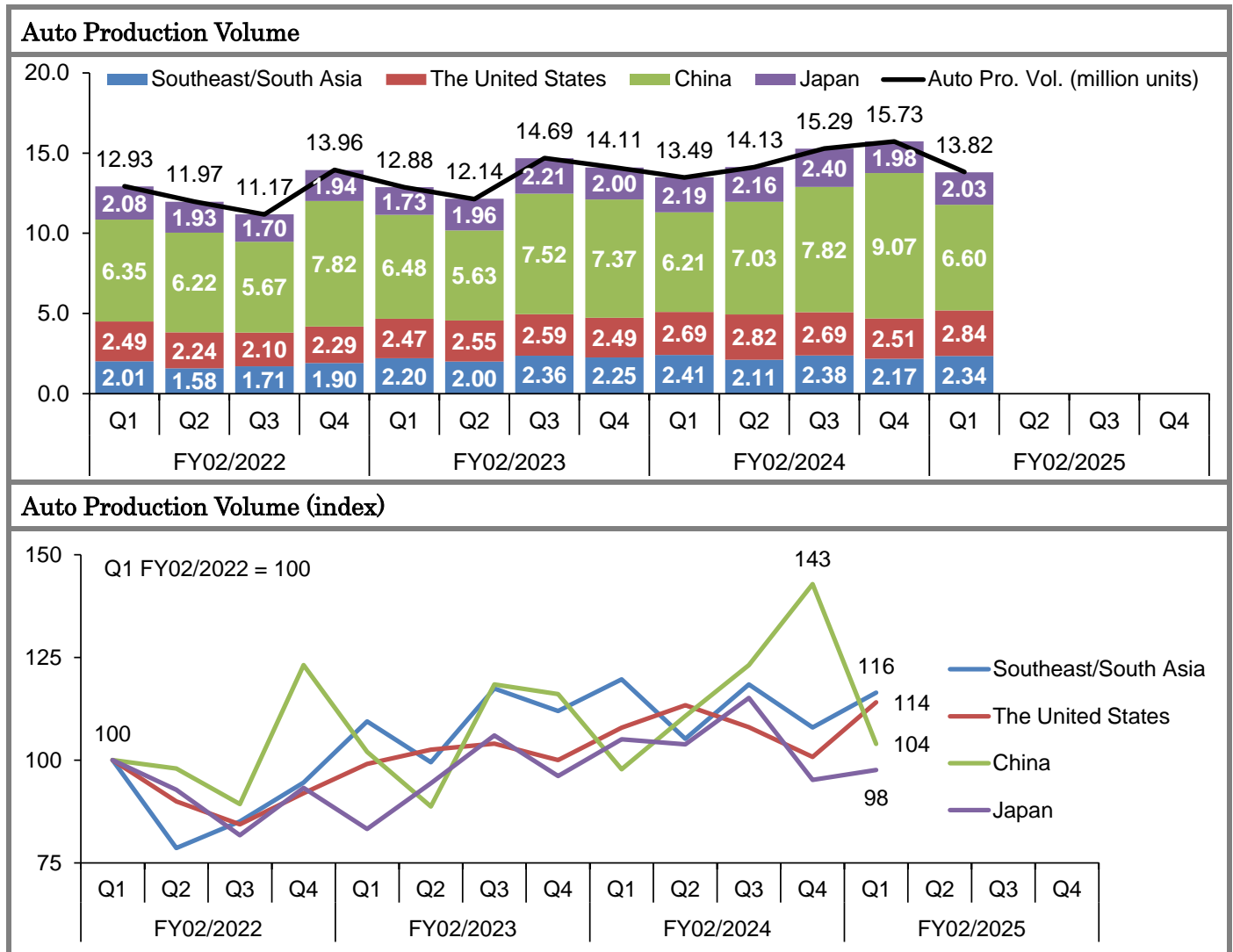
Specifically, they mainly comprise diecasting fluids, cutting fluids and forging lubricants. The Company is also exposed to hydraulic fluids and vacuum pump oils on the Functional Fluids side, while the former is basically associated with steels by application and the latter to diverse applications. 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 velocity and under high pressure) auto parts (with alloys made of non-ferrous metals, e.g., aluminum and/or magnesium, as materials) by diecasting machines. Meanwhile, as of Q1 FY02/2025, the former Synthetic Lubricants division is merged with the Functional Fluids division, so products such as high temperature lubricants and hard disc surface lubricants are also attributed to the Functional Fluids side now. In this report, the data available are all retrospectively adjusted.

Secondly, the Company benefited from an increase in sales associated with hygiene materials, principally 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 (25.2% 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, which used to be included on the former Synthetic Lubricants side, while they are basically adopted for hard discs of high-performance HDDs for data centers. By the way, in the recent trading after the beginning of FY02/2025, the Company sees sales of hard disc drive surface lubricants entering a recovery phase in line with a recovery phase taking place for demand associated with so-called data center investment. Elsewhere, while the Company classifies its sales into ten categories by application, each of the remaining seven categories had a relative stability in changes of sales during the past two years, when compared with those of the above-mentioned three categories.

### Auto Production Volume

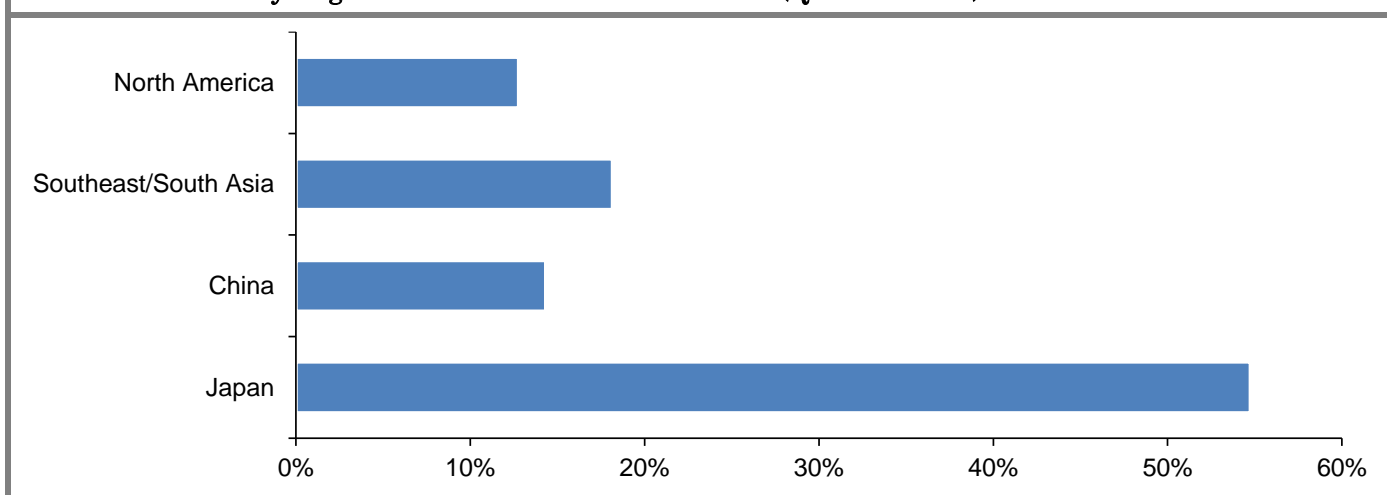
The Company is heavily involved with autos by application as above-mentioned, recognizing changes in auto production volume as one of the key elements for own management environment and the other one being raw material procurement costs. For the actual results of Q1 FY02/2025, the Company saw auto production volume of 2.03m units (down 7% YoY) in Japan, 6.60m units (up 6%) in China, 2.84m units (up 6%) in the United States and 2.34m units (down 3%) in Southeast/South Asia (Thailand, Indonesia and India), having resulted in collective 13.82 units (up 2%) at the locations where the Company runs own operations.



Source: Company Data, WRJ Calculation

All of the above-mentioned data are based on those of MarkLines and the actual results of the relevant accounting period (March 2024 to May 2024) have been reflected for Japan versus those of the local accounting period (January 2024 to March 2024) for foreign operations, which are run by local subsidiaries with a fiscal yearend of December. Consequently, each of the above-mentioned auto production volume corresponds to the Company's performance for Q1 FY02/2025.

### Sales Breakdown by Region on the Functional Fluids side (Q1 FY02/2025)



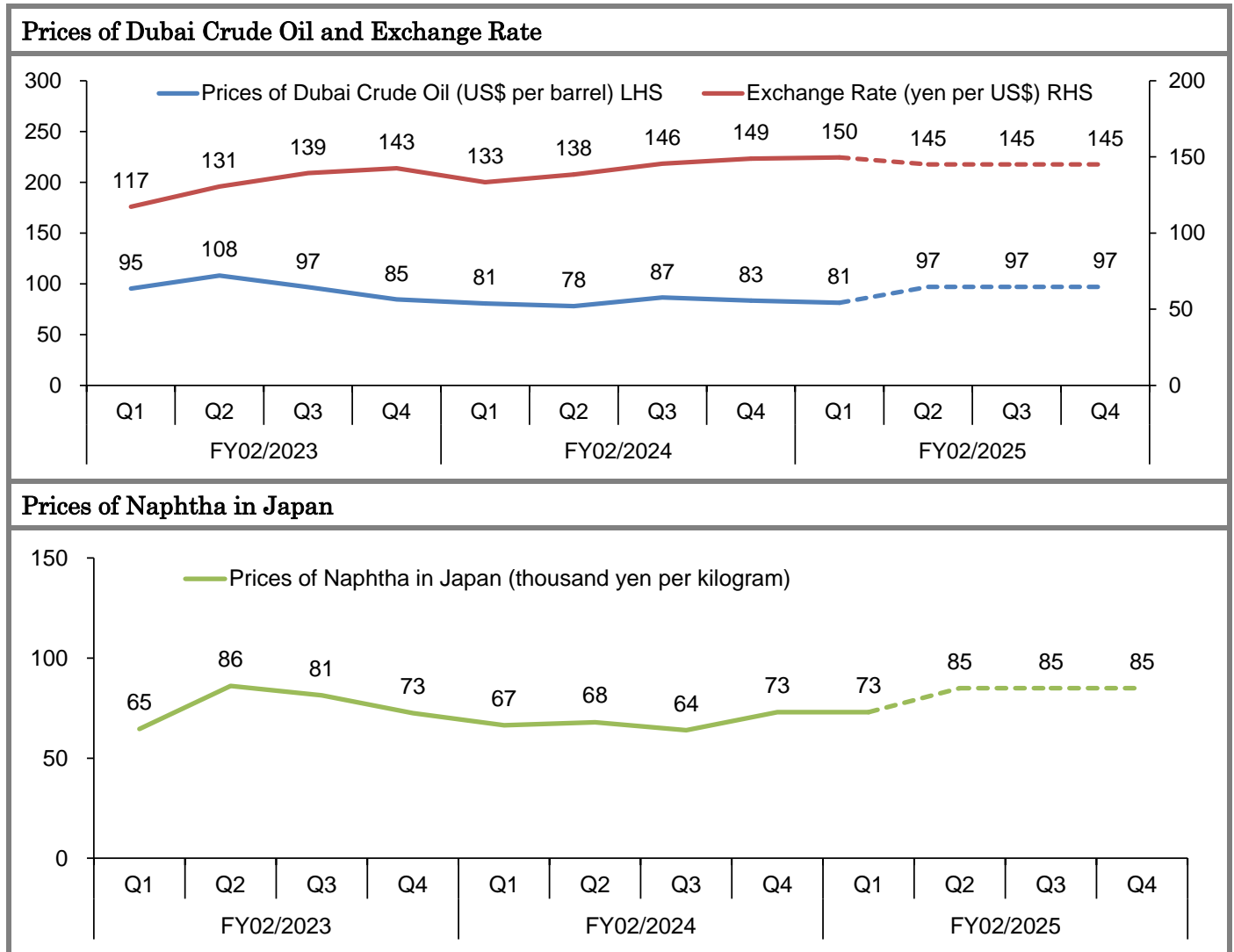
Source: Company Data, WRJ Calculation

In sales breakdown by region on the Functional Fluids side (but for the former Synthetic Lubricants side), where the bulk of the Company's sales associated with autos are included, sales in Japan account for more than 50% of total, implying that the Company's sales associated with autos are inclined to be affected by changes in auto production volume in Japan in particular. For the actual results of FY02/2024, the Company saw auto production volume in Japan of 8.72m units (up 10%), implying strengths due partly to a back action stemming from production cutback as a result of semiconductor shortages taken place during the year before, which was followed by 2.03m units (down 7%) for Q1 FY02/2025 as above-mentioned. According to the Company, this may have something to do with misconduct cases brought to light in each auto manufacturer, while it suggests that a rapid recovery is unlikely for the time being.

Meanwhile, for FY02/2024, 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 36%), 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%). Meanwhile, for auto production volume in China, the Company saw a major adjustment for Q1 FY02/2025 on a quarter on quarter basis. Still, more importantly, the Company suggests firm sales in China on the Function Fluids side, which is attributable to that it has gradually begun supplying local manufacturers of autos as well as getting involved with operations associated with new energy vehicles at the same time.

## Raw Material Procurement Costs

The Company is heavily 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).

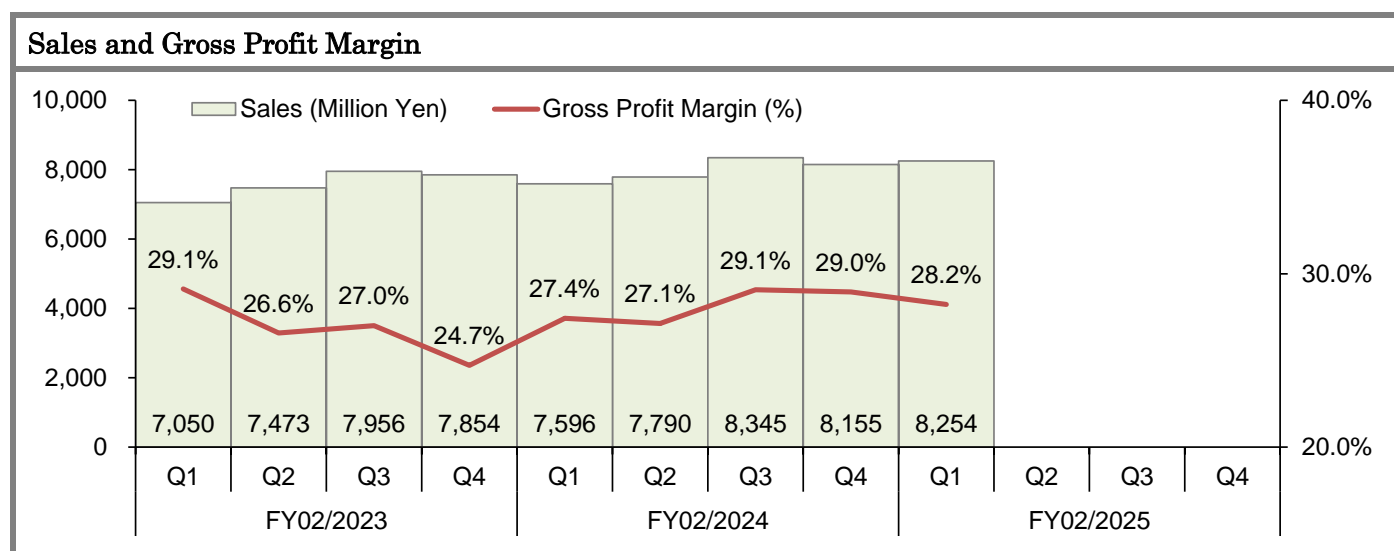


Source: Company Data

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. With respect to prices of Dubai crude oil (US\$ per barrel), FY02/2025 Company forecasts assume 97, while the actual results for Q1 came in at 81 (up 0.9% YoY), i.e., lower than assumed. In light of this, the Company's raw material procurement costs look heading for levels lower than assumed. With respect to exchange rate (yen per US\$), FY02/2025 Company forecasts assume 145, while the actual results for Q1 came in at 150 (yen's depreciation by 12.3%), i.e., yen weaker than assumed, implying a possibility to result in the Company's raw material procurement costs higher than assumed.



Nevertheless, the Company suggests that it has an exposure to US\$-denominated sales to a certain extent and thus the impact of exchange rate fluctuations becomes rather limited at the level of gross profit. Meanwhile, with respect to prices of naphtha in Japan (thousand yen per kilogram), FY02/2025 Company forecasts assume 85, while the actual results for Q1 came in at 73 (up 9.8%), i.e., lower than assumed, which leads to a possibility for the Company's raw material procurement costs to come in at the levels lower than assumed. By the way, the above-mentioned assumptions are adopted also for the Company's 10th midterm management plan (FY02/2025 to FY02/2027) with the theme to satisfy both of Realization of a Sustainable Society and Enhancement of Added Value for Business.



Source: Company Data, WRJ Calculation

The Company's raw material procurement costs had continued rising for FY02/2023, preceded by a rise for FY02/2022, which appears to have had given a significant impact on the trend of decline in gross profit margin during the period of FY02/2023. On the other hand, the Company's gross profit margin has turned to a steady recovery during the period 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. It appears that such a trend is persisting in the recent trading after the beginning of FY02/2025.

## Company History (extract)

Date	Events
October 1958	Founded by spinoff of laboratory in MATSUMURA OIL CO., LTD.
December 1959	Head office / factory, constructed to productize functional fluids (e.g., vacuum pump oils) and synthetic lubricants, in Nishinomiya-city, Hyogo-prefecture
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

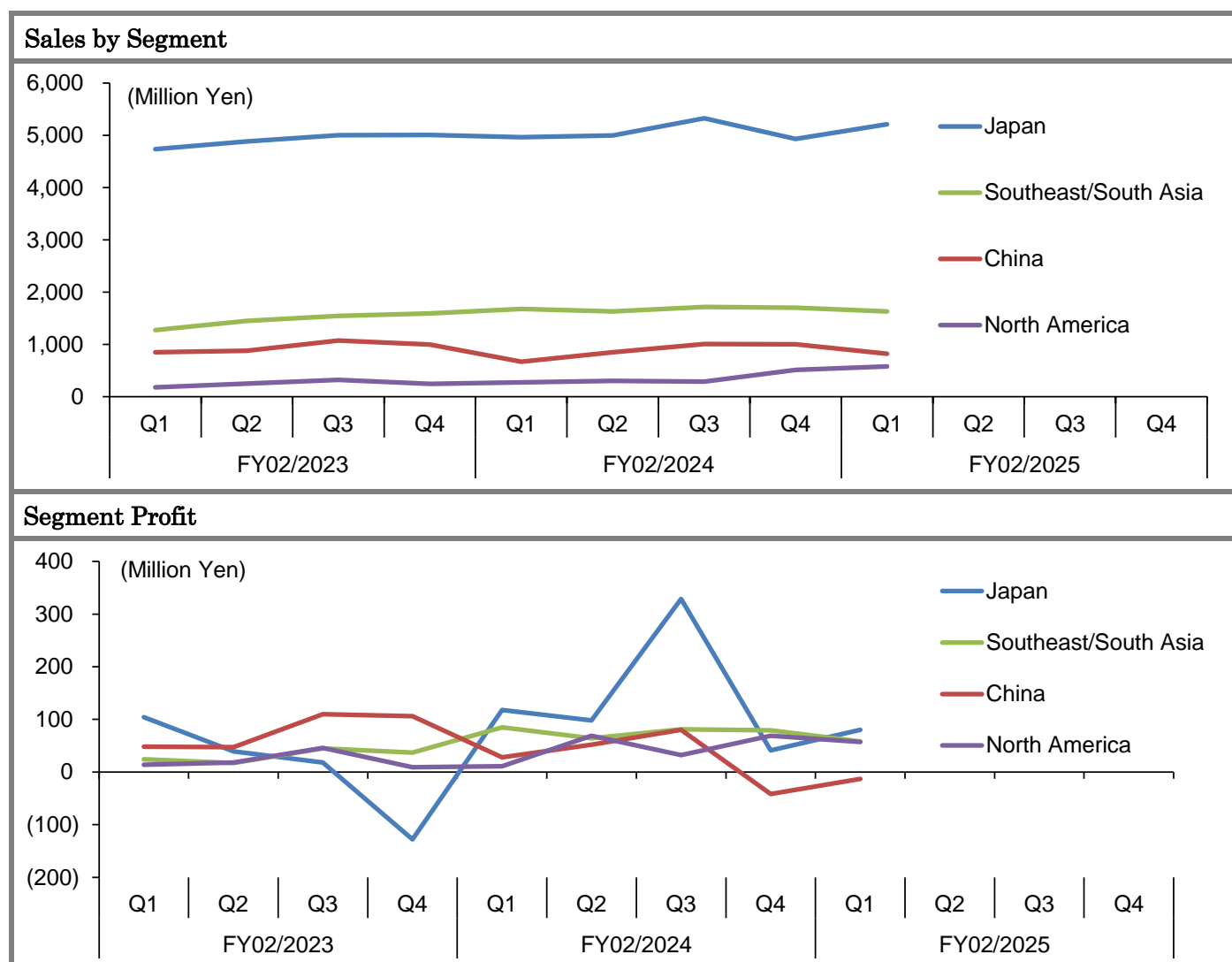
October 2023 Listing of shares, transitioned to Tokyo Stock Exchange Standard Market

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

### Q1 FY02/2025

For Q1 FY02/2025, sales came in at ¥8,254m (up 8.7% YoY), operating profit ¥189m (down 26.3%), recurring profit ¥450m (up 13.8%) and profit attributable to owners of parent ¥250m (up 11.6%). The Company saw net non-operating gain of ¥261m (versus net gain of ¥138m during same period of the previous year), which was due mainly to yen's depreciation, having generated currency gain of ¥145m (gain of ¥70m), according to the Company.



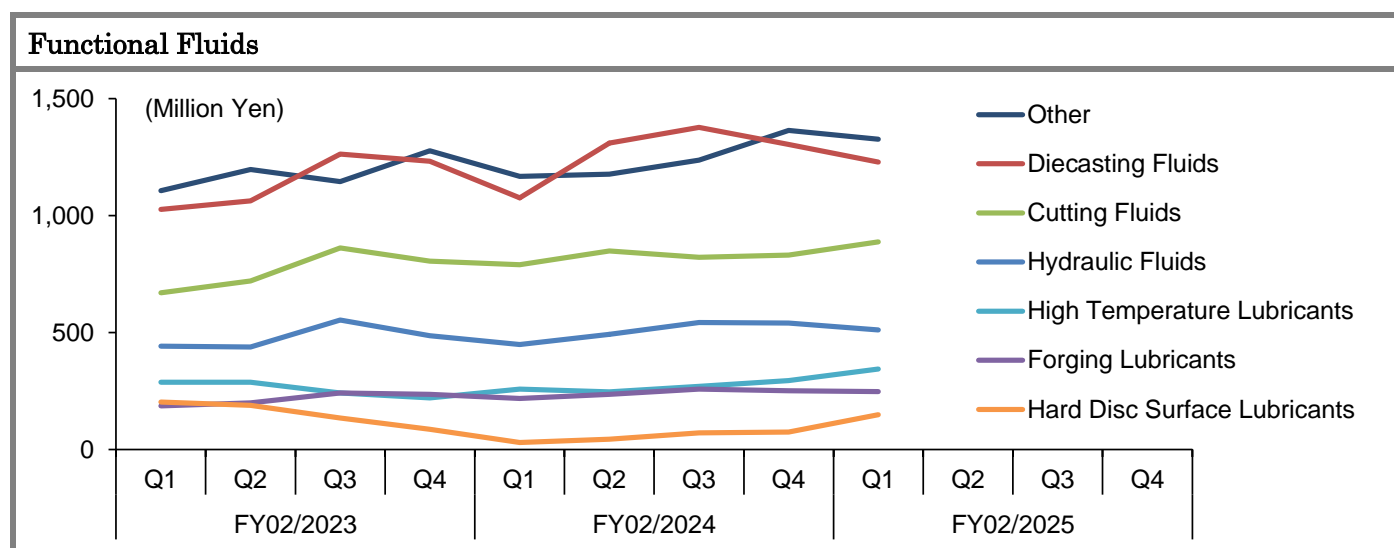
Source: Company Data, WRJ Calculation

Meanwhile, gross profit came in at ¥2,330m (up 11.9%) and SG&A expenses ¥2,140m (up 17.2%), implying gross profit margin of 28.2% (up 0.8% points) and SG&A ratio of 25.9% (up 1.9% points), having resulted in operating profit margin of 2.3% (down 1.1% points). Sales volume is increasing in Japan and overseas, while revision on selling prices to cope with higher raw material procurement costs is progressing. Thus, the Company is seeing gross profit margin at a rather elevated level. However, the impact of higher SG&A expenses was more significant, resulting in lower operating profit margin and operating profit.

In October 2023, the Company newly consolidated Wuxi MoreTex Technology Co., Ltd. in China and CROSS TECHNOLOGIES N.A. INC. in the United States. Both of the new subsidiaries made a net add-on in the Company's SG&A expenses for Q1 (March to June) as a year has not passed yet since the consolidations. Meanwhile, the Company suggests that there is another aspect that it suffered from posting some add-on initial expenses during the relevant period. Meanwhile, with respect to the former, there is almost no add-on in the Company's sales despite the above-mentioned net add-on at the level of SG&A expenses, because of its operations of being basically playing a role of manufacturing facilities for the Company's products. On top of all those factors, the Company also suffered from intensive posting of expense on a specific development project with a continuity during the period of Q1. In conclusion, The Company's SG&A expenses have risen a lot over the same period of the previous year and the ratio to sales at the same time.

### Functional Fluids (56.9% of sales)

For Q1 FY02/2025, sales came in at ¥4,696m (up 17.7%), while FY02/2025 Company forecasts are going for prospective sales of ¥19,500m (up 10.9%). At the same time, the midterm management plan assumes prospective sales of ¥21,600m for FY02/2027, the final year of the plan, implying CAGR of 7.1% 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 TECHNOLOGIES GROUP, Inc. (CROSS, Inc.), based in the United States, with which the Company is planning to reinforcing 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.

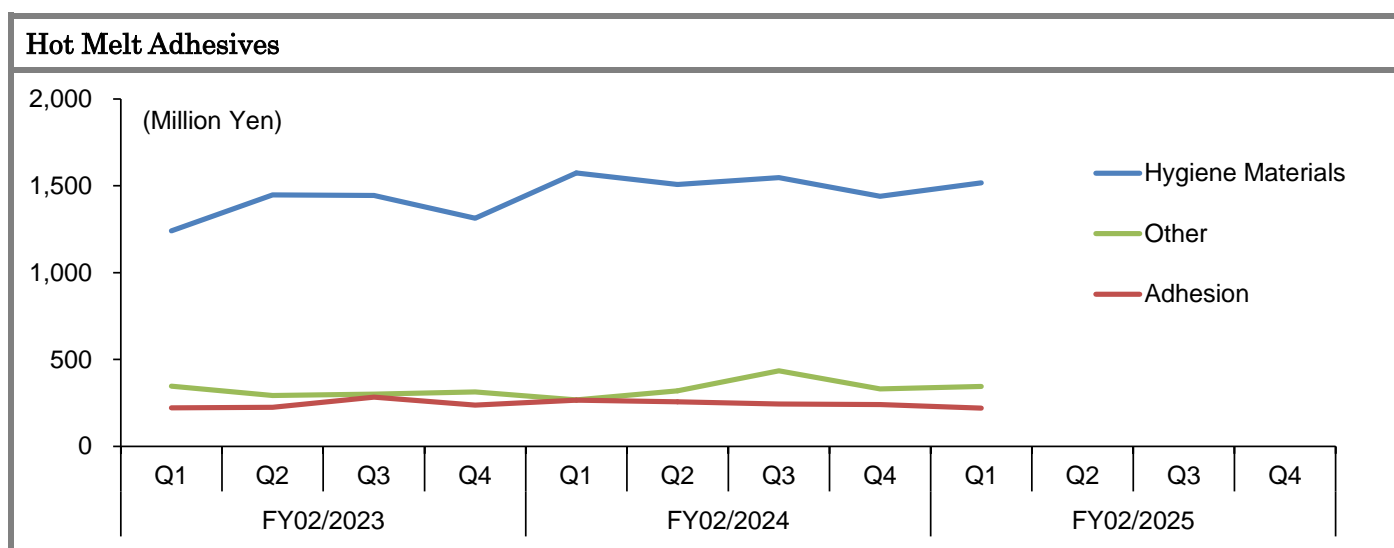
The deal is making the Company secure a local production base, the first one in the United States, which will enable it to strengthen its stable local supply of products as well as being directly involved with development and self-manufacture of lubricant-related raw materials at the same time. Thus, 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.

Elsewhere, for the actual results of Q1 FY02/2025, the Company saw a contribution to sales mix stemming from increased sales of products carrying high gross margin, which was roughly offset by increased sales of products carrying low gross profit margin. The typical example cited for the former is surging sales of hard disc surface lubricants, i.e., sales of ¥149m (up 397%). Although sales are limited in size, they tend to have an impact on the Company's gross profit margin to a degree that exceeds a certain level, according to the Company.

**Hot Melt Adhesives (25.2% of sales)**

For Q1 FY02/2025, sales came in at ¥2,081m (down 1.3%), 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.

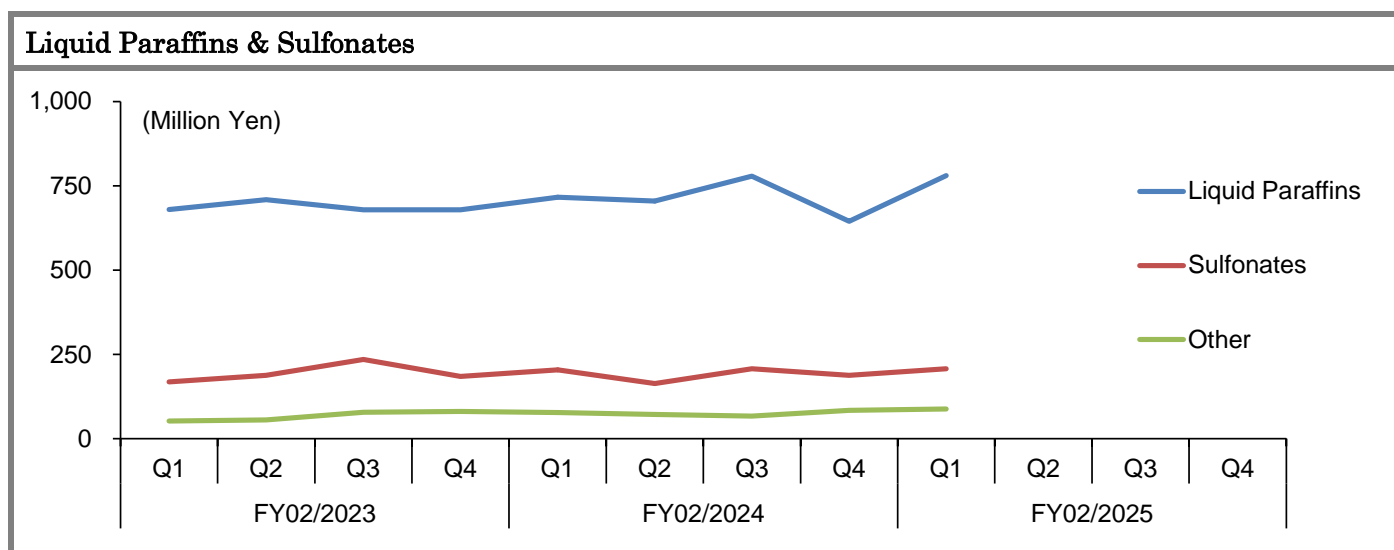


Source: Company Data

With respect to the mainstay hygiene materials, principally disposable diapers, sales in Japan have been strong, but sales in Southeast/South Asia (Thailand, Indonesia and India) have been slow due to local stock adjustments, according to the Company. By the way, the Company suggests that 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 (13.0% of sales)**

For Q1 FY02/2025, sales came in at ¥1,076m (up 7.8%), 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.

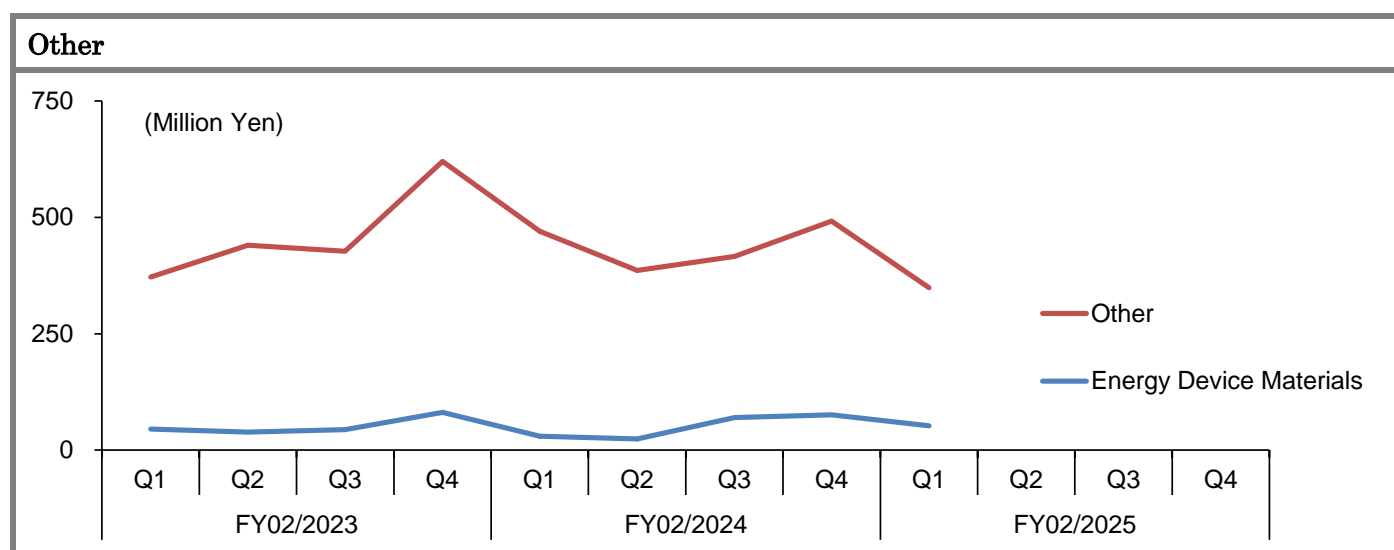


Source: Company Data

Steady sales growth has been achieved for the mainstay liquid paraffins. Demand associated with application for polystyrene (plasticizers) is now recovering favorably, according to the Company. For example, they are often used as additives in the manufacture of food trays and so on.

### Other (4.9% of sales)

For Q1 FY02/2025, sales came in at ¥401m (down 19.8%), 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 Q1 FY02/2025 results, sales on the Energy Device Materials side came in at ¥52m (up 71.4%) and sales on the Other side came in at ¥349m (down 25.7%). In the first place, they are the two independent business divisions, while the midterm management plan puts them tougher and treats them as a single business division. On the Energy Device Materials side, the Company is involved with development, manufacture and sale of sealants for organic EL and related equipment. Meanwhile, 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 (wholly owned subsidiary) is responsible as a technology consulting firm. For FY02/2025, the Company is to see delivery of a large-sized project, which is expected to bring forth strengths for sales on this side.

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 developed on the Energy Device Materials side. The Company's prototype sealants have a feature of “no damage to perovskite elements even when directly bonded” and another one of “excellent adhesion simply by bonding to the base materials (no heating or UV treatment being required). According to the Company, future operations of manufacture and sale on a commercial basis are in sight, trying to bring products to the market by CY2026, which will help perovskite solar cells become commercially viable.



## 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.
	02/2024	02/2024	02/2024	02/2024	02/2025	02/2025	02/2025	02/2025		
<b>Sales</b>	<b>7,596</b>	<b>15,386</b>	<b>23,731</b>	<b>31,886</b>	<b>8,254</b>	-	-	-	-	<b>+658</b>
Cost of Sales	5,513	11,188	17,108	22,902	5,925	-	-	-	-	+412
Gross Profit	2,083	4,197	6,623	8,984	2,330	-	-	-	-	+247
SG&A Expenses	1,826	3,669	5,572	7,759	2,140	-	-	-	-	+314
<b>Operating Profit</b>	<b>257</b>	<b>528</b>	<b>1,050</b>	<b>1,225</b>	<b>189</b>	-	-	-	-	<b>(68)</b>
Non-Operating Balance	138	405	649	601	261	-	-	-	-	+123
<b>Recurring Profit</b>	<b>395</b>	<b>933</b>	<b>1,699</b>	<b>1,826</b>	<b>450</b>	-	-	-	-	<b>+55</b>
Extraordinary Balance	-	-	250	229	(48)	-	-	-	-	(48)
Profit before Income Taxes	395	933	1,949	2,055	402	-	-	-	-	+7
Total Income Taxes	125	262	455	606	111	-	-	-	-	(14)
Profit Attributable to Non-Controlling Interests	47	102	159	165	42	-	-	-	-	(5)
<b>Profit Attributable to Owners of Parent</b>	<b>224</b>	<b>569</b>	<b>1,335</b>	<b>1,283</b>	<b>250</b>	-	-	-	-	<b>+26</b>
Sales YoY	+7.7%	+5.9%	+5.6%	+5.1%	+8.7%	-	-	-	-	-
Operating Profit YoY	+28.0%	+78.8%	+105.5%	+134.2%	(26.3%)	-	-	-	-	-
Recurring Profit YoY	(16.1%)	+10.4%	+48.6%	+74.6%	+13.8%	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	(29.5%)	+13.0%	+85.8%	+108.8%	+11.6%	-	-	-	-	-
Gross Profit Margin	27.4%	27.3%	27.9%	28.2%	28.2%	-	-	-	-	+0.8%
SG&A Ratio	24.0%	23.8%	23.5%	24.3%	25.9%	-	-	-	-	+1.9%
Operating Profit Margin	3.4%	3.4%	4.4%	3.8%	2.3%	-	-	-	-	(1.1%)
Recurring Profit Margin	5.2%	6.1%	7.2%	5.7%	5.5%	-	-	-	-	+0.3%
Profit Attributable to Owners of Parent Margin	2.9%	3.7%	5.6%	4.0%	3.0%	-	-	-	-	+0.1%
Total Income Taxes / Profit before Income Taxes	31.6%	28.1%	23.3%	29.5%	27.6%	-	-	-	-	(4.0%)

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.
	02/2024	02/2024	02/2024	02/2024	02/2025	02/2025	02/2025	02/2025		
<b>Sales</b>	<b>7,596</b>	<b>7,790</b>	<b>8,345</b>	<b>8,155</b>	<b>8,254</b>	-	-	-	-	<b>+658</b>
Cost of Sales	5,513	5,675	5,920	5,794	5,925	-	-	-	-	+412
Gross Profit	2,083	2,114	2,426	2,361	2,330	-	-	-	-	+247
SG&A Expenses	1,826	1,843	1,903	2,187	2,140	-	-	-	-	+314
<b>Operating Profit</b>	<b>257</b>	<b>271</b>	<b>522</b>	<b>175</b>	<b>189</b>	-	-	-	-	<b>(68)</b>
Non-Operating Balance	138	267	244	(48)	261	-	-	-	-	+123
<b>Recurring Profit</b>	<b>395</b>	<b>538</b>	<b>766</b>	<b>127</b>	<b>450</b>	-	-	-	-	<b>+55</b>
Extraordinary Balance	-	-	250	(21)	(48)	-	-	-	-	(48)
Profit before Income Taxes	395	538	1,016	106	402	-	-	-	-	+7
Total Income Taxes	125	137	193	151	111	-	-	-	-	(14)
Profit Attributable to Non-Controlling Interests	47	55	57	6	42	-	-	-	-	(5)
<b>Profit Attributable to Owners of Parent</b>	<b>224</b>	<b>345</b>	<b>766</b>	<b>(52)</b>	<b>250</b>	-	-	-	-	<b>+26</b>
Sales YoY	+7.7%	+4.2%	+4.9%	+3.8%	+8.7%	-	-	-	-	-
Operating Profit YoY	+28.0%	+188.3%	+141.7%	-	(26.3%)	-	-	-	-	-
Recurring Profit YoY	(16.1%)	+43.5%	+157.0%	-	+13.8%	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	(29.5%)	+84.5%	+256.3%	-	+11.6%	-	-	-	-	-
Gross Profit Margin	27.4%	27.1%	29.1%	29.0%	28.2%	-	-	-	-	+0.8%
SG&A Ratio	24.0%	23.7%	22.8%	26.8%	25.9%	-	-	-	-	+1.9%
Operating Profit Margin	3.4%	3.5%	6.3%	2.1%	2.3%	-	-	-	-	(1.1%)
Recurring Profit Margin	5.2%	6.9%	9.2%	1.6%	5.5%	-	-	-	-	+0.3%
Profit Attributable to Owners of Parent Margin	2.9%	4.4%	9.2%	(0.6%)	3.0%	-	-	-	-	+0.1%
Total Income Taxes / Profit before Income Taxes	31.6%	25.5%	19.0%	142.5%	27.6%	-	-	-	-	(4.0%)

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 02/2024	Q1 to Q2 02/2024	Q1 to Q3 02/2024	Q1 to Q4 02/2024	Q1 02/2025	Q1 to Q2 02/2025	Q1 to Q3 02/2025	Q1 to Q4 02/2025		
Japan	4,968	9,966	15,295	20,229	5,213	-	-	-	-	+245
China	670	1,522	2,532	3,536	824	-	-	-	-	+154
Southeast/South Asia (Thailand, Indonesia and India)	1,679	3,313	5,031	6,737	1,634	-	-	-	-	(45)
North America	278	584	872	1,384	583	-	-	-	-	+305
<b>Sales</b>	<b>7,596</b>	<b>15,386</b>	<b>23,731</b>	<b>31,886</b>	<b>8,254</b>	-	-	-	-	<b>+658</b>
Japan	118	216	545	586	80	-	-	-	-	(38)
China	28	80	160	118	(13)	-	-	-	-	(41)
Southeast/South Asia (Thailand, Indonesia and India)	85	149	230	309	58	-	-	-	-	(27)
North America	11	80	112	181	57	-	-	-	-	+46
<b>Segment Profit</b>	<b>242</b>	<b>525</b>	<b>1,046</b>	<b>1,194</b>	<b>183</b>	-	-	-	-	<b>(59)</b>
Adjustments	15	3	4	31	6	-	-	-	-	(9)
<b>Operating Profit</b>	<b>257</b>	<b>528</b>	<b>1,050</b>	<b>1,225</b>	<b>189</b>	-	-	-	-	<b>(68)</b>
Japan	2.4%	2.2%	3.6%	2.9%	1.5%	-	-	-	-	(0.8%)
China	4.2%	5.3%	6.3%	3.3%	(1.6%)	-	-	-	-	(5.8%)
Southeast/South Asia (Thailand, Indonesia and India)	5.1%	4.5%	4.6%	4.6%	3.5%	-	-	-	-	(1.5%)
North America	4.0%	13.7%	12.8%	13.1%	9.8%	-	-	-	-	+5.8%
<b>Segment Profit Margin</b>	<b>3.2%</b>	<b>3.4%</b>	<b>4.4%</b>	<b>3.7%</b>	<b>2.2%</b>	-	-	-	-	<b>(1.0%)</b>
Adjustments	0.2%	0.0%	0.0%	0.1%	0.1%	-	-	-	-	(0.1%)
<b>Operating Profit Margin</b>	<b>3.4%</b>	<b>3.4%</b>	<b>4.4%</b>	<b>3.8%</b>	<b>2.3%</b>	-	-	-	-	<b>(1.1%)</b>

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 02/2024	Q2 02/2024	Q3 02/2024	Q4 02/2024	Q1 02/2025	Q2 02/2025	Q3 02/2025	Q4 02/2025		
Japan	4,968	4,998	5,329	4,934	5,213	-	-	-	-	+245
China	670	852	1,010	1,004	824	-	-	-	-	+154
Southeast/South Asia (Thailand, Indonesia and India)	1,679	1,634	1,718	1,706	1,634	-	-	-	-	(45)
North America	278	306	288	512	583	-	-	-	-	+305
<b>Sales</b>	<b>7,596</b>	<b>7,790</b>	<b>8,345</b>	<b>8,155</b>	<b>8,254</b>	-	-	-	-	<b>+658</b>
Japan	118	98	329	41	80	-	-	-	-	(38)
China	28	52	80	(42)	(13)	-	-	-	-	(41)
Southeast/South Asia (Thailand, Indonesia and India)	85	64	81	79	58	-	-	-	-	(27)
North America	11	69	32	69	57	-	-	-	-	+46
<b>Segment Profit</b>	<b>242</b>	<b>283</b>	<b>521</b>	<b>148</b>	<b>183</b>	-	-	-	-	<b>(59)</b>
Adjustments	15	(12)	1	27	6	-	-	-	-	(9)
<b>Operating Profit</b>	<b>257</b>	<b>271</b>	<b>522</b>	<b>175</b>	<b>189</b>	-	-	-	-	<b>(68)</b>
Japan	2.4%	2.0%	6.2%	0.8%	1.5%	-	-	-	-	(0.8%)
China	4.2%	6.1%	7.9%	(4.2%)	(1.6%)	-	-	-	-	(5.8%)
Southeast/South Asia (Thailand, Indonesia and India)	5.1%	3.9%	4.7%	4.6%	3.5%	-	-	-	-	(1.5%)
North America	4.0%	22.5%	11.1%	13.5%	9.8%	-	-	-	-	+5.8%
<b>Segment Profit Margin</b>	<b>3.2%</b>	<b>3.6%</b>	<b>6.2%</b>	<b>1.8%</b>	<b>2.2%</b>	-	-	-	-	<b>(1.0%)</b>
Adjustments	0.2%	(0.2%)	0.0%	0.3%	0.1%	-	-	-	-	(0.1%)
<b>Operating Profit Margin</b>	<b>3.4%</b>	<b>3.5%</b>	<b>6.3%</b>	<b>2.1%</b>	<b>2.3%</b>	-	-	-	-	<b>(1.1%)</b>

Source: Company Data, WRJ Calculation

## Sales by Business Division (Cumulative / Quarterly)

Sales by Business Division (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		
	02/2024	02/2024	02/2024	02/2024	02/2025	02/2025	02/2025	02/2025		
Functional Fluids	3,989	8,343	12,922	17,584	4,696	-	-	-	-	+707
Liquid Paraffins & Sulfonates	998	1,940	2,993	3,909	1,076	-	-	-	-	+78
Hot Melt Adhesives	2,108	4,194	6,419	8,430	2,081	-	-	-	-	(27)
Energy Device Materials	30	54	124	200	52	-	-	-	-	+22
Other	470	856	1,272	1,764	349	-	-	-	-	(121)
<b>Sales</b>	<b>7,596</b>	<b>15,386</b>	<b>23,731</b>	<b>31,886</b>	<b>8,254</b>	-	-	-	-	<b>+658</b>
Functional Fluids	+1.7%	+4.1%	+3.7%	+4.6%	+17.7%	-	-	-	-	-
Liquid Paraffins & Sulfonates	+10.6%	+4.6%	+5.1%	+3.1%	+7.8%	-	-	-	-	-
Hot Melt Adhesives	+16.6%	+11.7%	+10.7%	+10.0%	(1.3%)	-	-	-	-	-
Energy Device Materials	(31.9%)	(35.7%)	(3.3%)	(4.6%)	+71.4%	-	-	-	-	-
Other	+26.4%	+5.3%	+2.6%	(5.1%)	(25.7%)	-	-	-	-	-
<b>Sales (YoY)</b>	<b>+7.7%</b>	<b>+5.9%</b>	<b>+5.6%</b>	<b>+5.1%</b>	<b>+8.7%</b>	-	-	-	-	-
Functional Fluids	52.5%	54.2%	54.5%	55.1%	56.9%	-	-	-	-	-
Liquid Paraffins & Sulfonates	13.1%	12.6%	12.6%	12.3%	13.0%	-	-	-	-	-
Hot Melt Adhesives	27.8%	27.3%	27.0%	26.4%	25.2%	-	-	-	-	-
Energy Device Materials	0.4%	0.4%	0.5%	0.6%	0.6%	-	-	-	-	-
Other	6.2%	5.6%	5.4%	5.5%	4.2%	-	-	-	-	-
<b>Sales (Component Percentages)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-	-	-	-	-

Sales by Business Division (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		
	02/2024	02/2024	02/2024	02/2024	02/2025	02/2025	02/2025	02/2025		
Functional Fluids	3,989	4,354	4,579	4,662	4,696	-	-	-	-	+707
Liquid Paraffins & Sulfonates	998	942	1,053	916	1,076	-	-	-	-	+78
Hot Melt Adhesives	2,108	2,086	2,225	2,011	2,081	-	-	-	-	(27)
Energy Device Materials	30	24	70	76	52	-	-	-	-	+22
Other	470	386	416	492	349	-	-	-	-	(121)
<b>Sales</b>	<b>7,596</b>	<b>7,790</b>	<b>8,345</b>	<b>8,155</b>	<b>8,254</b>	-	-	-	-	<b>+658</b>
Functional Fluids	+1.7%	+6.3%	+3.0%	+7.3%	+17.7%	-	-	-	-	-
Liquid Paraffins & Sulfonates	+10.6%	(1.2%)	+5.9%	(3.0%)	+7.8%	-	-	-	-	-
Hot Melt Adhesives	+16.6%	+7.2%	+8.7%	+7.9%	(1.3%)	-	-	-	-	-
Energy Device Materials	(31.9%)	(38.5%)	+59.1%	(6.2%)	+71.4%	-	-	-	-	-
Other	+26.4%	(12.3%)	(2.6%)	(20.6%)	(25.7%)	-	-	-	-	-
<b>Sales (YoY)</b>	<b>+7.7%</b>	<b>+4.2%</b>	<b>+4.9%</b>	<b>+3.8%</b>	<b>+8.7%</b>	-	-	-	-	-
Functional Fluids	52.5%	55.9%	54.9%	57.2%	56.9%	-	-	-	-	-
Liquid Paraffins & Sulfonates	13.1%	12.1%	12.6%	11.2%	13.0%	-	-	-	-	-
Hot Melt Adhesives	27.8%	26.8%	26.7%	24.7%	25.2%	-	-	-	-	-
Energy Device Materials	0.4%	0.3%	0.8%	0.9%	0.6%	-	-	-	-	-
Other	6.2%	5.0%	5.0%	6.0%	4.2%	-	-	-	-	-
<b>Sales (Component Percentages)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-	-	-	-	-

Source: Company Data, WRJ Calculation

## Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 02/2024	Q2 02/2024	Q3 02/2024	Q4 02/2024	Q1 02/2025	Q2 02/2025	Q3 02/2025	Q4 02/2025		
Cash and Deposit	3,935	3,756	5,952	5,636	4,993	-	-	-	-	+1,058
Accounts Receivables	7,462	7,453	8,016	7,942	8,237	-	-	-	-	+775
Inventory	6,451	6,378	6,505	6,687	7,035	-	-	-	-	+584
Other	564	566	1,399	724	730	-	-	-	-	+166
<b>Current Assets</b>	<b>18,412</b>	<b>18,153</b>	<b>21,872</b>	<b>20,989</b>	<b>20,995</b>	-	-	-	-	<b>+2,583</b>
Tangible Assets	8,666	9,114	9,540	10,140	10,280	-	-	-	-	+1,614
Intangible Assets	749	744	735	1,228	1,338	-	-	-	-	+589
Investments and Other Assets	4,068	4,166	4,370	4,695	4,754	-	-	-	-	+686
<b>Fixed Assets</b>	<b>13,483</b>	<b>14,024</b>	<b>14,645</b>	<b>16,063</b>	<b>16,372</b>	-	-	-	-	<b>+2,889</b>
<b>Deferred Assets</b>	<b>18</b>	<b>32</b>	<b>42</b>	<b>-</b>	<b>-</b>	-	-	-	-	<b>(18)</b>
<b>Total Assets</b>	<b>31,913</b>	<b>32,208</b>	<b>36,559</b>	<b>37,053</b>	<b>37,367</b>	-	-	-	-	<b>+5,454</b>
Accounts Payables	4,828	4,467	4,581	4,908	4,897	-	-	-	-	+69
Short-Term Debt	2,145	2,096	2,806	3,040	2,892	-	-	-	-	+747
Other	1,787	1,629	2,176	1,912	2,257	-	-	-	-	+470
<b>Current Liabilities</b>	<b>8,760</b>	<b>8,192</b>	<b>9,563</b>	<b>9,860</b>	<b>10,046</b>	-	-	-	-	<b>+1,286</b>
Long-Term Debt	942	887	2,994	3,065	2,762	-	-	-	-	+1,820
Other	667	748	814	1,006	970	-	-	-	-	+303
<b>Fixed Liabilities</b>	<b>1,609</b>	<b>1,635</b>	<b>3,808</b>	<b>4,071</b>	<b>3,732</b>	-	-	-	-	<b>+2,123</b>
<b>Total Liabilities</b>	<b>10,369</b>	<b>9,827</b>	<b>13,371</b>	<b>13,931</b>	<b>13,778</b>	-	-	-	-	<b>+3,409</b>
<b>Shareholders' Equity</b>	<b>17,327</b>	<b>17,678</b>	<b>18,254</b>	<b>18,202</b>	<b>18,121</b>	-	-	-	-	<b>+794</b>
Other	4,217	4,703	4,934	4,920	5,467	-	-	-	-	+1,250
<b>Net Assets</b>	<b>21,544</b>	<b>22,381</b>	<b>23,188</b>	<b>23,122</b>	<b>23,588</b>	-	-	-	-	<b>+2,044</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>31,913</b>	<b>32,208</b>	<b>36,559</b>	<b>37,053</b>	<b>37,367</b>	-	-	-	-	<b>+5,454</b>
Equity Capital	18,743	19,418	20,143	20,126	20,499	-	-	-	-	+1,756
Interest Bearing Debt	3,087	2,983	5,800	6,105	5,654	-	-	-	-	+2,567
<b>Net Debt</b>	<b>(848)</b>	<b>(773)</b>	<b>(152)</b>	<b>469</b>	<b>661</b>	-	-	-	-	<b>+1,509</b>
Equity Ratio	58.7%	60.3%	55.1%	54.3%	54.9%	-	-	-	-	-
Net Debt Equity Ratio	(4.5%)	(4.0%)	(0.8%)	2.3%	3.2%	-	-	-	-	-
ROE (12 months)	2.8%	3.5%	6.3%	6.6%	6.7%	-	-	-	-	-
ROA (12 months)	3.1%	3.6%	4.7%	5.3%	5.4%	-	-	-	-	-
Days for Inventory Turnover	106	102	100	105	108	-	-	-	-	-
Quick Ratio	130%	137%	146%	138%	132%	-	-	-	-	-
Current Ratio	210%	222%	229%	213%	209%	-	-	-	-	-

Source: Company Data, WRJ Calculation

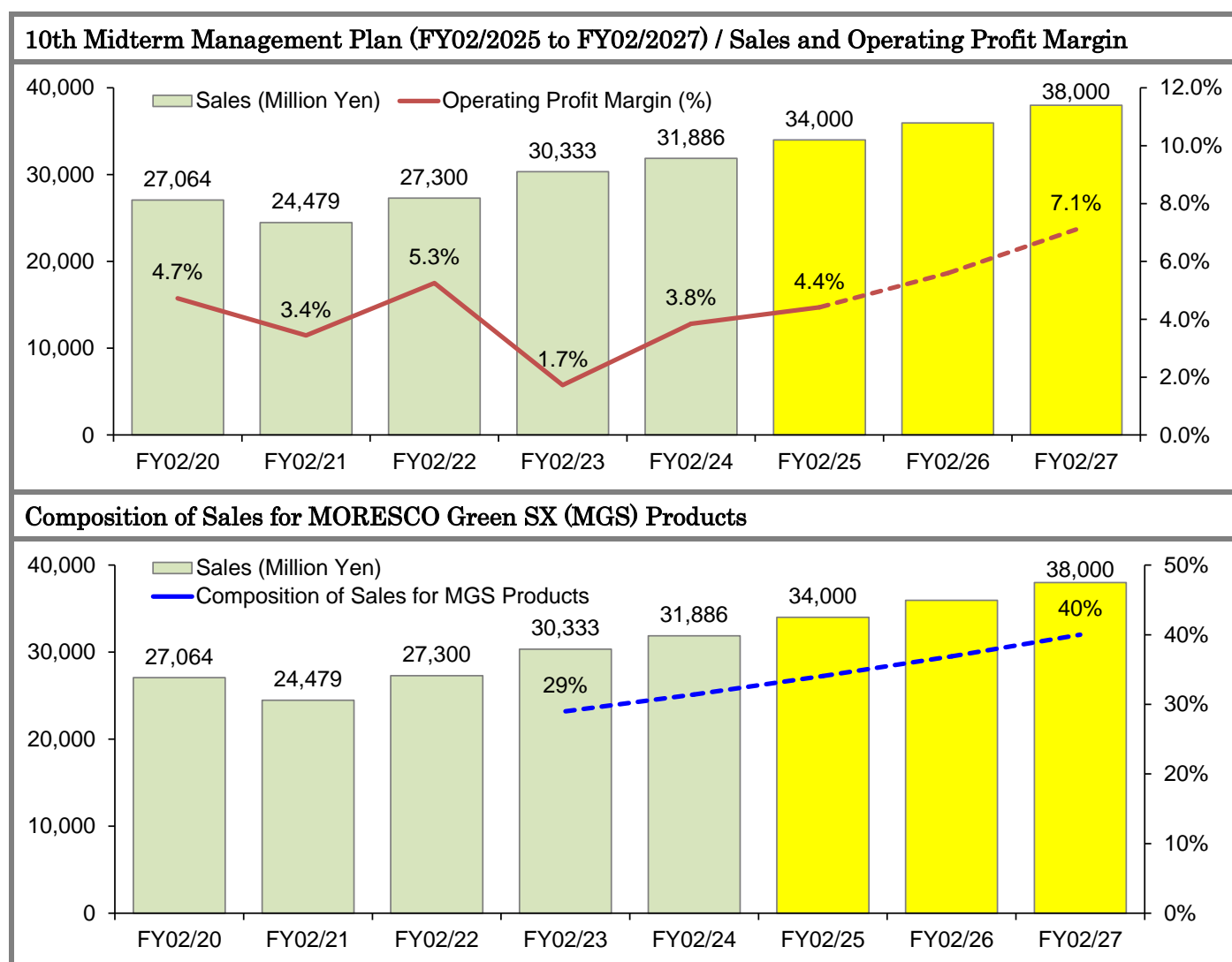
## Cash Flow Statement (Cumulative)

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 02/2024	Q1 to Q2 02/2024	Q1 to Q3 02/2024	Q1 to Q4 02/2024	Q1 02/2025	Q1 to Q2 02/2025	Q1 to Q3 02/2025	Q1 to Q4 02/2025		
Operating Cash Flow	-	1,004	-	2,934	-	-	-	-	-	-
Investing Cash Flow	-	(1,305)	-	(4,250)	-	-	-	-	-	-
<b>Operating Cash Flow and Investing Cash Flow</b>	<b>-</b>	<b>(301)</b>	<b>-</b>	<b>(1,316)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financing Cash Flow	-	(115)	-	2,819	-	-	-	-	-	-

Source: Company Data, WRJ Calculation

### Long-Term Prospects

FY02/2025 initial Company forecasts have remained unchanged, 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 for FY02/2025, 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, the final year of the plan.

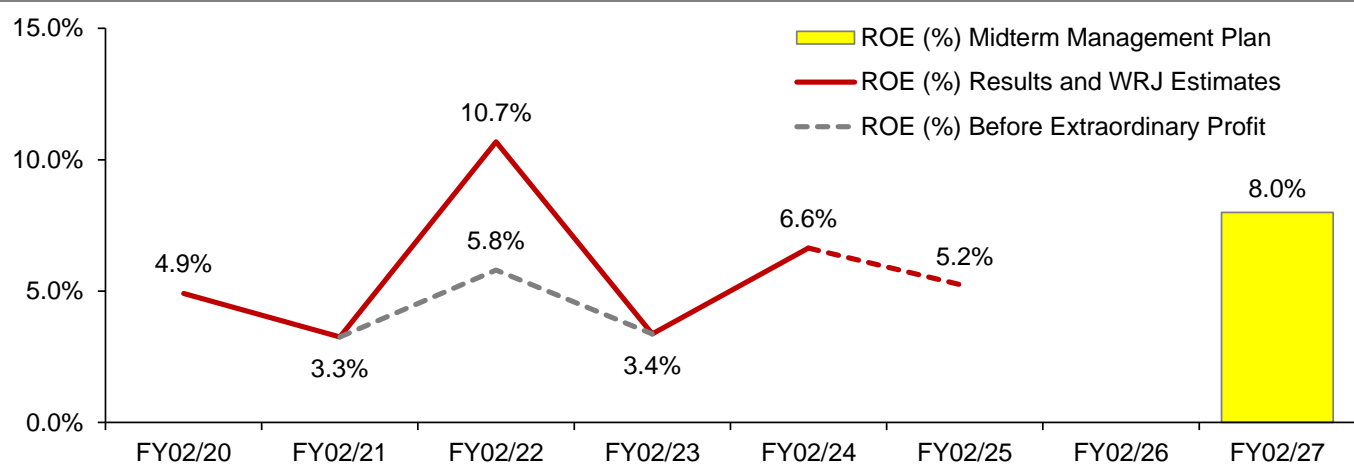
When setting the FY02/2024 results as the point of origin, the plan is calling for CAGR of 6.0% in sales and 30.1% in operating profit during the relevant period, while operating profit margin to rise by 3.3% points to 7.1% from 3.8%. According to the Company, a major contribution will come from its focus on sales enhancement on MGS Products, i.e., high value added products to reduce environmental loads, 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 loads with respect to mold lubricants for diecasting and hydraulic fluids basically applied for steel-related domains, 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 keen on refinement of existing products as well as development, manufacture and sale 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 cosmetic company to procure the products from the Company in the immediate term, 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 to enhance the return, while maintaining an appropriate level of retained earnings. Specifically, the Company is calling for prospective annual dividend, equating to 30% or higher in terms of payout ratio from a long-term perspective.

## 10th Midterm Management Plan (FY02/2025 to FY02/2027) / ROE



Source: Company Data, WRJ Calculation

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) in our estimates, while trying to see level of up to 8% in ROE for FY02/2027. For FY02/2024, there is an aspect that the Company saw level of ROE, rather higher than the real picture due to one-off gains posted at the non-operating and extraordinary levels. According to the Company, the level of ROE for FY02/2022, before extraordinary profit, equates to no more than 5.8%.

## FY02/2025 Company Forecasts and Actual Results

Consolidated Fiscal Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
FY02/2025CoE	12-Apr-24	Q4 Results	34,000	1,500	1,850	1,050
FY02/2025CoE	12-Jul-24	Q1 Results	34,000	1,500	1,850	1,050
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
FY02/2025CoE	12-Apr-24	Q4 Results	34,000	1,500	1,850	1,050
FY02/2025CoE	12-Jul-24	Q1 Results	34,000	1,500	1,850	1,050
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q1 to Q2 FY02/2025CoE	12-Apr-24	Q4 Results	-	-	-	-
Q1 to Q2 FY02/2025CoE	12-Jul-24	Q1 Results	-	-	-	-
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Q1 to Q2 FY02/2025CoE	12-Apr-24	Q4 Results	-	-	-	-
Q1 to Q2 FY02/2025CoE	12-Jul-24	Q1 Results	-	-	-	-
		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 FY02/2025CoE	12-Apr-24	Q4 Results	-	-	-	-
Q3 to Q4 FY02/2025CoE	12-Jul-24	Q1 Results	-	-	-	-
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Q3 to Q4 FY02/2025CoE	12-Apr-24	Q4 Results	-	-	-	-
Q3 to Q4 FY02/2025CoE	12-Jul-24	Q1 Results	-	-	-	-
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-

Source: Company Data, WRJ Calculation

## 5.0 Financial Statements

### Income Statement

Income Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	02/2020	02/2021	02/2022	02/2023	02/2024	02/2025	Net Chg.
<b>Sales</b>	<b>27,064</b>	<b>24,479</b>	<b>27,300</b>	<b>30,333</b>	<b>31,886</b>	<b>34,000</b>	<b>+2,114</b>
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	-	-
<b>Operating Profit</b>	<b>1,279</b>	<b>842</b>	<b>1,434</b>	<b>523</b>	<b>1,225</b>	<b>1,500</b>	<b>+275</b>
Non-Operating Balance	289	188	577	523	601	350	(251)
<b>Recurring Profit</b>	<b>1,568</b>	<b>1,030</b>	<b>2,011</b>	<b>1,046</b>	<b>1,826</b>	<b>1,850</b>	<b>+24</b>
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	-	-
<b>Profit Attributable to Owners of Parent</b>	<b>776</b>	<b>518</b>	<b>1,808</b>	<b>615</b>	<b>1,283</b>	<b>1,050</b>	<b>(233)</b>
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	-	-
<b>Sales</b>	<b>27,064</b>	<b>24,479</b>	<b>27,300</b>	<b>30,333</b>	<b>31,886</b>	<b>34,000</b>	<b>+2,114</b>
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	-	-
<b>Segment Profit</b>	<b>1,283</b>	<b>837</b>	<b>1,431</b>	<b>553</b>	<b>1,194</b>	-	-
Adjustments	(4)	5	4	(30)	31	-	-
<b>Operating Profit</b>	<b>1,279</b>	<b>842</b>	<b>1,434</b>	<b>523</b>	<b>1,225</b>	<b>1,500</b>	<b>+275</b>
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%	-	-
<b>Segment Profit Margin</b>	<b>4.7%</b>	<b>3.4%</b>	<b>5.2%</b>	<b>1.8%</b>	<b>3.7%</b>	-	-
Adjustments	(0.0%)	0.0%	0.0%	(0.1%)	0.1%	-	-
<b>Operating Profit Margin</b>	<b>4.7%</b>	<b>3.4%</b>	<b>5.3%</b>	<b>1.7%</b>	<b>3.8%</b>	<b>4.4%</b>	<b>+0.6%</b>

Source: Company Data, WRJ Calculation



## Sales by Business Division

Sales by Business Division	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
(Million Yen)	FY	FY	FY	FY	FY	FY	YoY
	02/2020	02/2021	02/2022	02/2023	02/2024	02/2025	Net Chg.
Functional Fluids	14,655	12,438	14,995	16,808	17,584	19,500	+1,916
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	-	-
<b>Sales</b>	<b>27,064</b>	<b>24,479</b>	<b>27,300</b>	<b>30,333</b>	<b>31,886</b>	<b>34,000</b>	<b>+2,114</b>
Functional Fluids	(7.0%)	(15.1%)	+20.6%	+12.1%	+4.6%	+10.9%	-
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%)	-	-
<b>Sales (YoY)</b>	<b>(6.0%)</b>	<b>(9.6%)</b>	<b>+11.5%</b>	<b>+11.1%</b>	<b>+5.1%</b>	<b>+6.6%</b>	<b>-</b>
Functional Fluids	54.1%	50.8%	54.9%	55.4%	55.1%	57.4%	-
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%	-	-
<b>Sales (Componet Percentages)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-</b>

Source: Company Data, WRJ Calculation

## Balance Sheet

Balance Sheet	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
(Million Yen)	FY	FY	FY	FY	FY	FY	YoY
	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	-	-
<b>Current Assets</b>	<b>15,436</b>	<b>15,304</b>	<b>16,607</b>	<b>18,810</b>	<b>20,989</b>	-	-
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	-	-
<b>Fixed Assets</b>	<b>12,693</b>	<b>12,403</b>	<b>12,401</b>	<b>13,202</b>	<b>16,063</b>	-	-
<b>Deferred Assets</b>	-	-	-	6	-	-	-
<b>Total Assets</b>	<b>28,129</b>	<b>27,707</b>	<b>29,008</b>	<b>32,017</b>	<b>37,053</b>	-	-
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	-	-
<b>Current Liabilities</b>	<b>8,063</b>	<b>8,121</b>	<b>7,260</b>	<b>9,599</b>	<b>9,860</b>	-	-
Long-Term Debt	1,244	775	350	472	3,065	-	-
Other	612	649	847	707	1,006	-	-
<b>Fixed Liabilities</b>	<b>1,856</b>	<b>1,424</b>	<b>1,197</b>	<b>1,179</b>	<b>4,071</b>	-	-
<b>Total Liabilities</b>	<b>9,919</b>	<b>9,545</b>	<b>8,457</b>	<b>10,778</b>	<b>13,931</b>	-	-
<b>Shareholders' Equity</b>	<b>15,939</b>	<b>15,836</b>	<b>17,227</b>	<b>17,287</b>	<b>18,202</b>	-	-
Other	2,270	2,327	3,324	3,953	4,920	-	-
<b>Net Assets</b>	<b>18,209</b>	<b>18,163</b>	<b>20,551</b>	<b>21,240</b>	<b>23,122</b>	-	-
<b>Total Liabilities &amp; Net Assets</b>	<b>28,129</b>	<b>27,707</b>	<b>29,008</b>	<b>32,017</b>	<b>37,053</b>	-	-
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)	-	-
<b>Operating Cash Flow and Investing Cash Flow</b>	<b>182</b>	<b>1,428</b>	<b>2,936</b>	<b>(657)</b>	<b>(1,316)</b>	-	-
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	114.50	-
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	114.50	-
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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