

MORESCO (5018)

Consolidated Fiscal Year (Million Yen)	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY02/2021	24,479	842	1,030	518	54.09	40.00	1,695.81
FY02/2022	27,300	1,434	2,011	1,808	192.76	40.00	1,914.94
FY02/2023CoE	30,500	1,850	2,200	1,300	140.02	40.00	-
FY02/2022	YoY	11.5%	70.3%	95.3%	249.1%	-	-
FY02/2023CoE	YoY	11.7%	29.0%	9.4%	(28.1%)	-	-
Consolidated Quarter (Million Yen)	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 FY02/2022	6,656	520	721	1,095	-	-	-
Q2 FY02/2022	6,710	403	442	264	-	-	-
Q3 FY02/2022	7,049	452	569	371	-	-	-
Q4 FY02/2022	6,885	59	279	78	-	-	-
Q1 FY02/2023	7,050	201	471	317	-	-	-
Q1 FY02/2023	YoY	5.9%	(61.4%)	(34.7%)	(71.0%)	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (7 September 2022)

In Transition


MORESCO, running operations of R&D, manufacture and sale for chemicals used in diverse domains with autos as the mainstay, is in transition for seeing a full-fledged impact of revision on selling prices of own products implemented in line with increased procurement cost. In response to the sharp rise in crude oil prices, the Company has continued to see an increase in procurement cost. Meanwhile, it appears that this issue is the key reason why gross profit margin has been under pressure for some time. The Company's revision on selling prices of own products was triggered by increased procurement cost. However, it takes a while for the revision to come into effect in reality, while the Company has consistently suffered from increased procurement cost, resulting in a situation that the impact of the revision has been consistently smaller than that of the increased procurement cost. In terms of the actual results of Q1 (March to May) FY02/2023, the Company has seen a recovery in gross profit margin over the last quarter (December to February), implying a possibility that the impact of the revision is starting to exceed that of the increased procurement cost, but the Company says that the prospective trends continue to be unpredictable. Meanwhile, as far as looking to no further sharp rise in crude oil prices for the future, the Company is highly likely to see a favorable recovery in gross profit margin.

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2.0 Company Profile

Interface Science Specialist

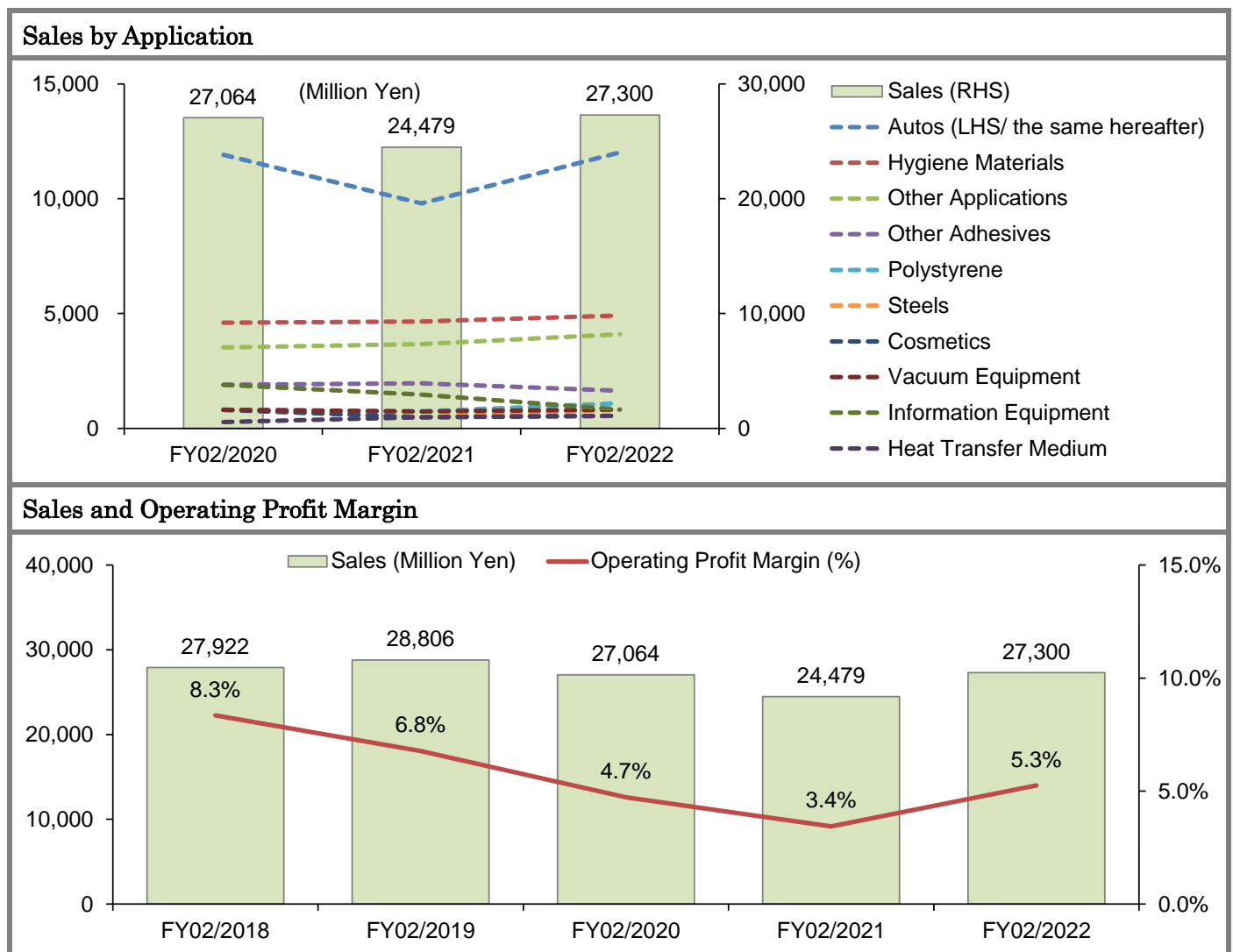
Company Name	MORESCO Corporation Company Website IR Information Share Price (Japanese) 
Established	27 October 1958
Listing	4 April 2022: Tokyo Stock Exchange Prime Market (ticker: 5018) 14 February 2011: Tokyo Stock Exchange 1st section 29 July 2008: Tokyo Stock Exchange 2nd section 13 November 2003: Registered on the over-the-counter market of JSDA
Capital	¥2,118m (as of the end of May 2022)
No. of Shares	9,696,500 shares, including 316,570 treasury shares (as of the end of May 2022)
Main Features	<ul style="list-style-type: none"> ● Independent (non-keiretsu) manufacturer of chemicals, some 44% exposed to autos by domain in terms of sales ● Specializing in “interface science” with exclusive exposure to niche markets ● R&D, manufacture and sale of chemicals to fulfil the functionalities of lubrications, adhesives and surface protections
Segments	I . Japan II . China III. Southeast / South Asia IV. North America
Representative	CEO, Representative Director and President: Motohisa Morozumi
Shareholders	Matsumura Oil 11.3%, Master Trust Bank of Japan, T. 8.5%, Cosmo Oil Lubricants 5.3% (as of the end of February 2022, but for treasury shares)
Head Office	Kobe-city, Hyogo-prefecture, JAPAN
No. of Personnel	Consolidated: 787, Parent: 384 (as of the end of February 2022)

Source: Company Data

3.0 Revised Management Vision & Business Model

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

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



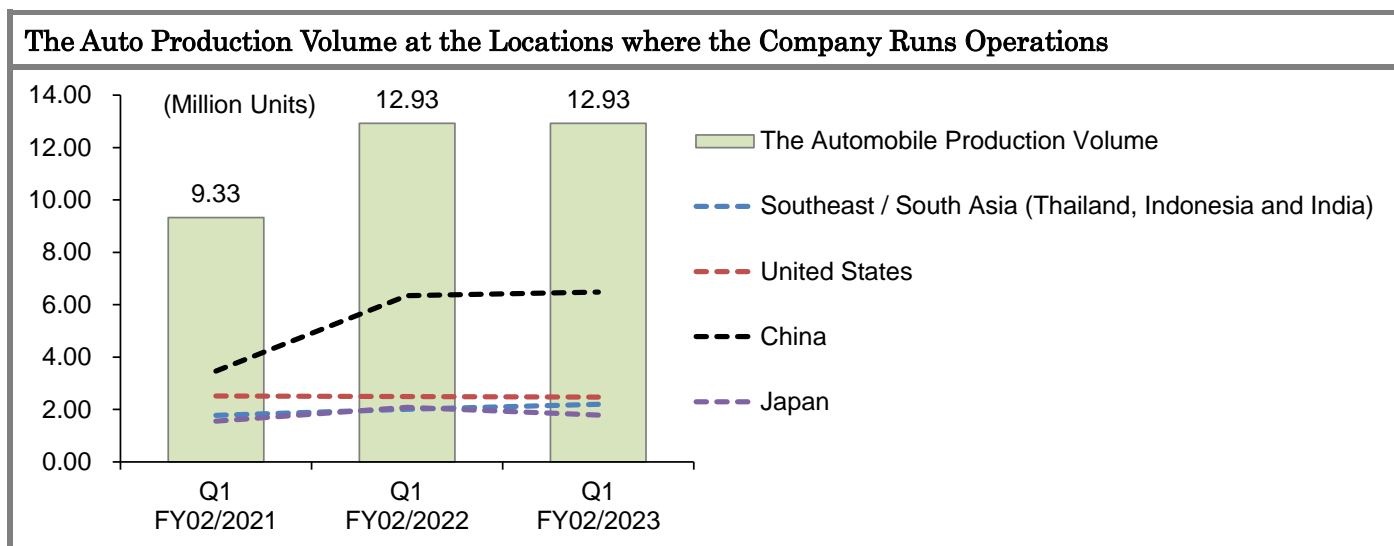
Source: Company Data, WRJ Calculation

Sales by Application

Meanwhile, sales by application (FY02/2020 to FY02/2022) suggest that sales related to the mainstay autos (mostly included in Functional Fluids by business division) saw a V-shaped recovery for FY02/2022 over FY02/2021, having driven V-shaped recovery in sales and operating profit margin for the Company as a whole to a large extent. In terms of the actual results of FY02/2022, the Company suggests that sales related to autos accounted for some 44% of sales for the Company as a whole, while also suggesting some 18% for hygiene materials (included in Hot Melt Adhesives by business division) and some 15% for sales related to other applications, i.e., collective sales related to applications other than being classified in this sales breakdown. At the same time, the Company also specifies some other smaller applications, i.e., other adhesives, polystyrene, steels, cosmetics, vacuum equipment, information equipment and heat transfer medium. Sales of all those applications but for autos have also risen favorably across the board, excluding those of other adhesives and information equipment (mostly included in Synthetic Lubrications by business division / hard disc surface lubricants), which was another driver for the above-mentioned V-shaped recovery for the Company as a whole.

The Auto Production Volume at the Locations Where the Company Runs Operations

According to the Company, the auto production volume at the locations where it runs operations came in at 47.28m units (down 12.2% YoY) in FY02/2021, which was followed by 50.00m units (up 5.8%) in FY02/2022, having shown a changeover from decrease to increase. Meanwhile, this appears to be the key reason why sales related to the mainstay autos (mostly included in Functional Fluids by business division) saw a V-shaped recovery.



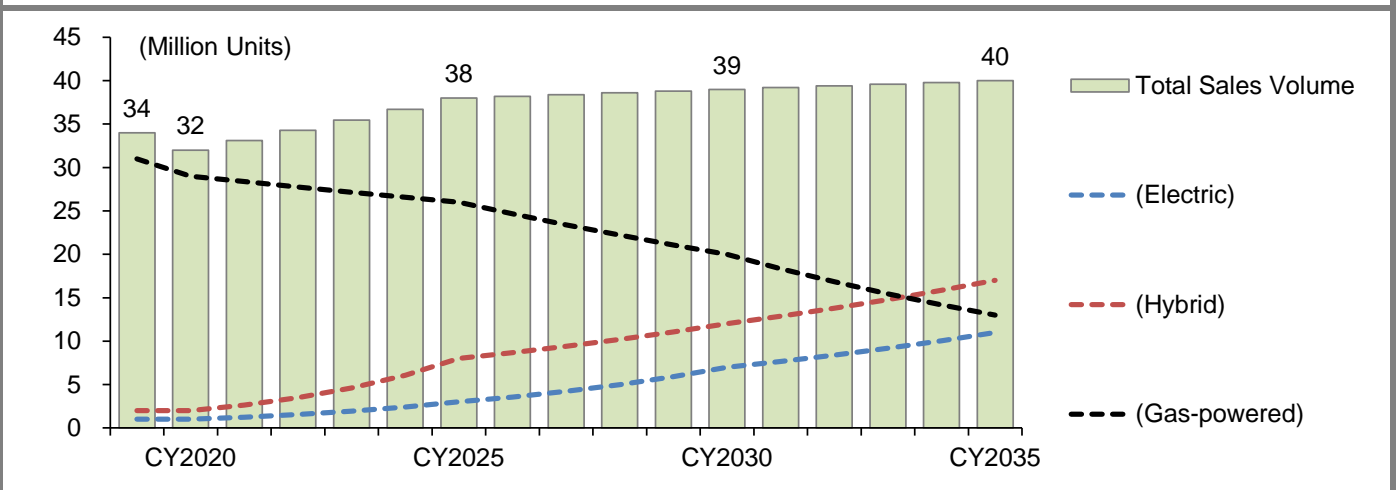
Source: Company Data (based on data of MarkLines), WRJ Calculation

Meanwhile, the Company says that the auto production volume at the locations where it runs operations came in at no more than 12.93m units (unchanged YoY) in the actual results of Q1 FY02/2023. Nevertheless, the Company says that it has seen some sales volume increase for application of autos (mostly included in Functional Fluids by business division), implying an achievement of performance relatively rather favorable. By region, the auto production volume came in at 2.20m units (up 9.5%) in Southeast / South Asia (Thailand, Indonesia and India), 2.47m units (down 0.8%) in the United States, 6.48m units (up 2.0%) in China and 1.79m units (down 13.9%) in Japan. By the way, the number of units of the production volume in Japan coincides with that of the said accounting period (March to May 2022), while the number of units of a period rather earlier (January to March 2022) for regions overseas across the board. This is because of a difference in the accounting period between the parent company and subsidiaries overseas, i.e., fiscal yearend of February and December, respectively. Thus, the Company's consolidated performance in Q1 FY02/2023 has reflected the actual results in the said period for each region.

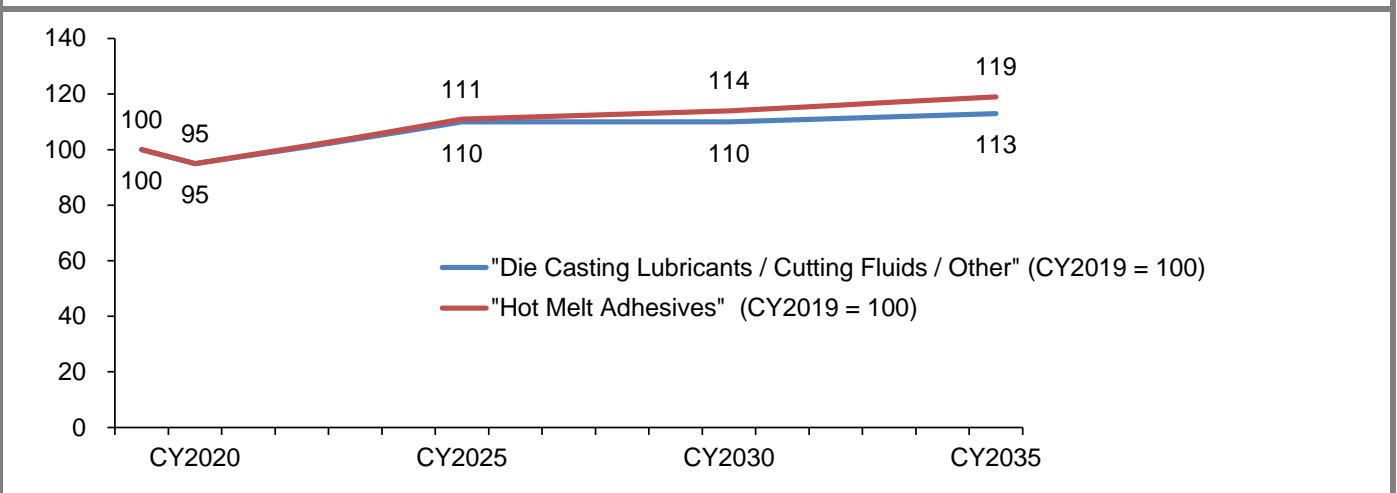
The Auto Sales Volume Forecasts

The auto production volume at the locations where the Company runs operations is expected to continue rising gradually from a long-term perspective and thus sales related to autos (mostly included in Functional Fluids by business division). At the moment, the Company does not disclose any specific estimates for the auto production volume at the locations where it runs operation from a long-term perspective, but the data fully alternative are available as follows:

The Auto Sales Volume Forecasts (Japan, China and ASEAN & East Asia)



Amount Used of Oil Solutions



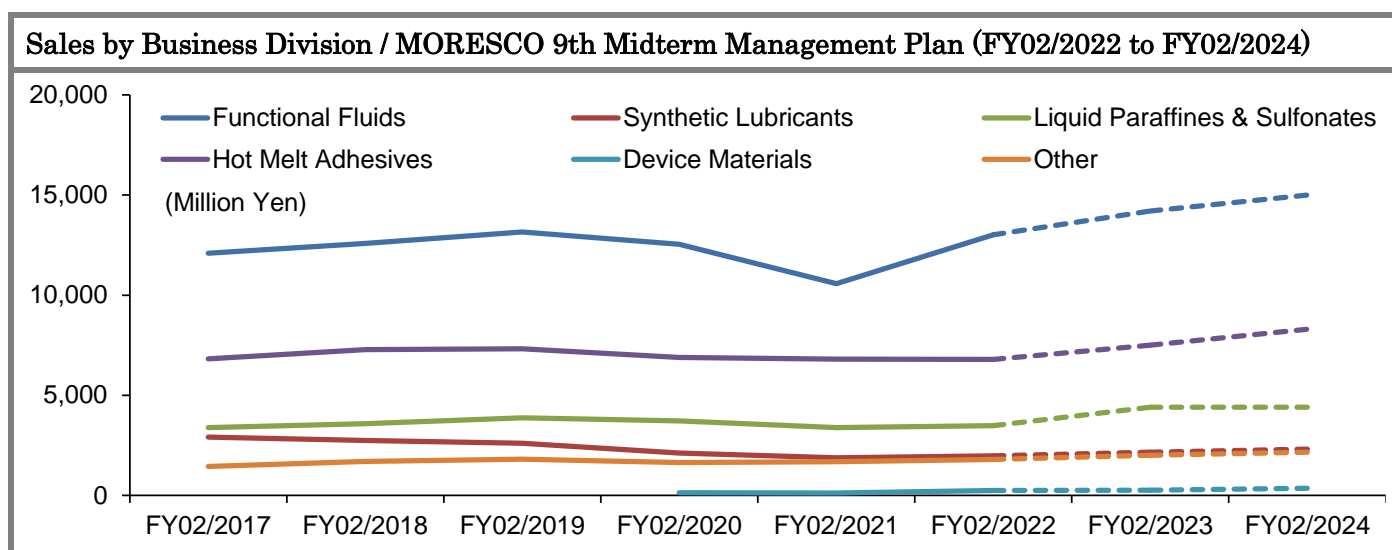
Source: Company Data (based on data of FUJI KEIZAI), WRJ Calculation

Generally speaking, the auto sales volume is expected to rise continuously and gradually from a long-term perspective. According to the Company, the number collectively in Japan, China and ASEAN & East Asia came in at 32m units for CY2020, which is expected to be followed by 38m units for CY2025 and 39m units for CY2030 and 40m units for CY2035. For the changes from CY2020 to CY2025, the Company suggests CAGR of some 3%, while the number of units for CY2025 comprises 2m units (CAGR: 25%) of elective vehicles, 8m units (CAGR: 32%) of hybrid vehicles and 26m units (CAGR: minus 2%) of gas-powered vehicles.

In other words, the number of units for existing gas-powered vehicles is expected to decline continuously and gradually for the future, which will be more than compensated for by persisting expansion of electric vehicles and hybrid vehicles, resulting in upward-sloping trend for the number of units in auto sales volume in the market with which the Company is confronted. Meanwhile, the Company's operations will be almost immune to all those changes in source of power for the near future. One of the characteristics of electric vehicles is that they require the number of components relatively less than that of gas-powered vehicles or the mainstay at the moment. However, the number of components is rather more for hybrid vehicles at the same time, resulting in a market trend in the amount used for "die casting lubricants / cutting fluids / other" with which the Company is heavily involved will be roughly in line with the number of units in the auto sales volume in the market.

Die casting lubricants are used to release molds from high-temperature alloys made of non-ferrous metals, on the occasion of casting (shaping products at a precise instant of time by means of injecting dissolved alloys made of non-ferrous metals into precision molds at high velocities and under high pressure) auto components (with alloys made of non-ferrous metals, e.g., aluminum and magnesium, as materials) by die casting machines. Meanwhile, the Company has been keen on “bit-application-type” products for die casting lubricants since some time ago, which improve efficiency in the operations as well as contributing to environmental quality improvement at the same time, resulting in firm sales for the said products in Japan and overseas most recently. With respect to cutting fluids, which are oil solutions for cutting work that are supposed to determine the quality of finished metal components, the Company offers high-quality products in a wide range of fields, from ordinary products to ones for difficult cutting materials and for specialty processing applications, establishing a system that can respond to the needs of any customers.

For "hot melt adhesives", the Company suggests that the amount used will increase marginally faster than “die casting lubricants / cutting fluids / other.” Hot melt adhesives in this context are those of being used for bonding interior components and inner side of auto body across the board, while being deeply involved with a variety of products that enable bonding between different materials. On top of this, the Company also says that it places the utmost emphasis to focus on products that contain the least volatile organic compounds which are believed to negatively affect the environment and human health.



Source: Company Data, WRJ Calculation

Overwhelmingly Large Shares in Small Niche Markets

The Company is running operations of R&D, manufacture and sale for chemicals 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 scale for the markets, where the largest manufacturers of chemicals are the mainstay players, while trying to get at overwhelming shares (one and only) in the niche markets with one-of-a-kind products, which has been achieved to a certain extent or more as far as we could gather. Meanwhile, for the areas of so-called “interface science,” chemicals are required for the functionalities of lubrications, adhesives and surface protections, while the Company’s products have an aspect of being exclusively involved with operations associated with all those functionalities and this is the reason why the Company is regarded as Interface Science Specialist.

Product Portfolio

By business division, sales of Functional Fluids principally comprise those of vacuum pump oils, hydraulic fluids, die casting fluids (die casting lubricants / plunger lubricants), cutting fluids and forging lubricants, while high temperature lubricants and hard disc surface lubricants for Synthetic Lubricants. With respect to Liquid Paraffines & Sulfonates, sales comprise liquid paraffines and sulfonates, while hygiene hot melt adhesives and general hot melt adhesives with respect to Hot Melt Adhesives.

Company History (extract)

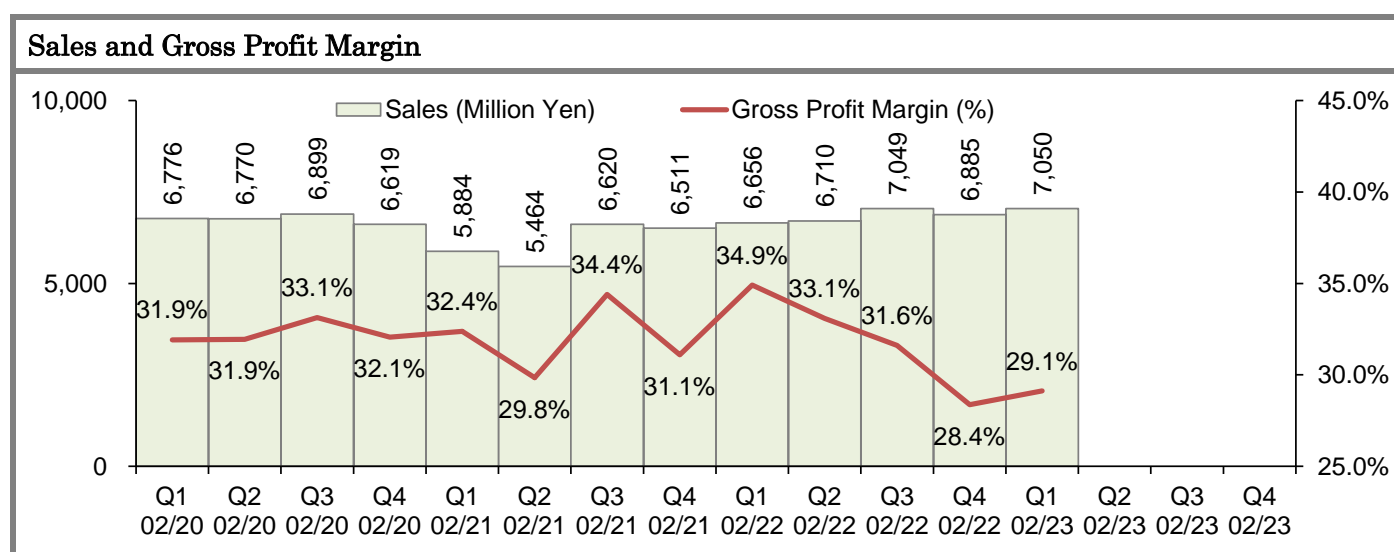
Date	Events
October 1958	Founded by spinoff of laboratory in MATSUMURA OIL CO., LTD.
December 1959	Nishinomiya head office and factory constructed to productize functional fluids (e.g., vacuum pump oils) and synthetic lubricants
March 1962	Productized water-glycol fireproof fluids
December 1965	Chiba factory constructed to mass-produce liquid paraffins and petroleum sulfonates
September 1986	Akoh factory constructed to mass-produce hot melt adhesives
November 1990	Akoh factory phase two construction completed to set up production line for lubricants
June 1995	MORESCO (Thailand) CO., Ltd. Established in Chonburi, Thailand
January 2001	Head office and R&D center relocated to Chuo-ku, Kobe
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 to relocate Osaka branch
March 2001	Phase three construction in Akoh factory to relocate facilities represented by those of distilling lubricants from Nishinomiya factory
February 2003	MORESCO Holding (Thailand) Co., Ltd., established in Chonburi, Thailand.
November 2003	Shares registered on the over-the-counter market of Japan Securities Dealers Association (JDSA)
December 2004	Shares listed on JASDAQ market, making a cancellation for the JDSA registration
May 2006	MORESCO USA Inc., established in Michigan, United States

July 2008	Shares listed on Tokyo Stock Exchange 2nd section
May 2009	WUXI MORESCO TRADING CO., LTD., established in Wuxi, China
August 2009	Acquired business related to die casting lubrications from Hanano Co., Ltd.
September 2009	Company name changed from MATSUMURA OIL RESERCH CORP. to MORESCO Corporation
February 2010	MORESCO HANANO DIE-CASTING COATING (SHANGHAI), consolidated as subsidiary
February 2011	Shares listed on Tokyo Stock Exchange 1st section
June 2011	PT. MORESCO INDONESIA, established in Karawang, Indonesia
January 2012	PT. MORESCO MACRO ADHESIVE, established in Jakarta, Indonesia
August 2013	Acquired business related to die casting fluids and forging lubricants from NICCA CHEMICAL CO., LTD.
March 2014	TIANJIN MORESCO TECHNOLOGY CO., LTD., established in Tianjin, China
February 2017	MORESCO HM&LUB INDIA PRIVATE LIMITED, established in India
April 2021	Sale of MORESCO Honmachi Building
March 2022	MORESCO(ZHEJIANG) FUNCTION MATERIAL CO., LTD., established in Haining, China
April 2022	Listing of shares, transitioned to Tokyo Stock Exchange Prime Market

4.0 Recent Trading and Prospects

Q1 FY02/2023

For Q1 FY02/2023, sales came in at ¥7,050m (up 5.9% YoY), operating profit ¥201m (down 61.4%), recurring profit ¥471m (down 34.7%) and profit attributable to owners of parent ¥317m (down 71.0%). At the non-operating level, the Company saw increased forex gain (¥123m to ¥210m) due to yen's depreciation, having enlarged recurring profit roughly to a corresponding extent. Meanwhile, the Company saw gain of ¥833m at the extraordinary level, stemming from sale of MORESCO Honmachi Building, during the same period of the previous year, which did not reappear, having lowered profit attributable to owners of parent to a corresponding extent.



Source: Company Data, WRJ Calculation

Gross Profit and SG&A Expenses

Gross profit came in at ¥2,053m (down 11.7%) and SG&A expenses ¥1,852m (up 2.6%), implying gross profit margin of 29.1% (down 5.8% points) and SG&A expenses ratio of 26.3% (down 0.8% points), having resulted in operating profit margin of 2.9% (down 5.0% points). In other words, sales increased steadily over the same period of the previous year, having lowered SG&A expenses ratio with an effect on increased sales. However, gross profit margin has declined sharply and thus operating profit margin. Meanwhile, the Company saw an improvement in gross profit margin for Q1 (March to May) over the last quarter, i.e., Q4 (December to February) FY02/2022 by 0.8% points (28.4% to 29.1%).

Sales Volume and Revision on Selling Prices

It is suggested that the Company saw sales volume increased by 2.0% for Q1 over the same period of the previous year for own products, while we estimate selling prices increased by 3.8% based on a simple calculation. For sales volume by business division, Functional Fluids saw increase by 2.3%, Hot Melt Adhesives increase by 5.9% and Other (Liquid Paraffines & Sulfonates / Synthetic Lubricants / Other) decrease by 2.2%, according to the Company. With respect to the mainstay application of autos (sales mostly included in Functional Fluids by business division), it appears that the Company saw sales volume marginally increased, while the auto production volume at the locations where the Company runs operations has remained unchanged during the said period. In light of the fact that the auto production volume in Japan, to which the Company is heavily exposed by region, declined by no less than 13.9%, it should be the case that the Company has fared relatively well for its performance here. Meanwhile, upcoming advent of a phase of recovery in the auto production volume in Japan, after the shortage of semiconductors and components being resolved, will bring in steady increase of sales volume associated with the mainstay application of autos (sales mostly included in Functional Fluids by business division) as far as we could see.

Raw Materials

A typical raw material procured by the Company is "lubricant base oil," which is used in products attributed to Functional Fluids, the mainstay by business division. As this is obtained by atmospheric distillation of crude oil just like naphtha (crude gasoline) and the like, it is said to be the case that trends in crude oil prices (including the impact of exchange rate fluctuations) have a direct impact on the prices of "lubricant base oil" procured by the Company. In fact, a scheme has been established in which fluctuations in crude oil prices are passed on to the procurement prices after a certain period of time with respect to the majority of raw materials procured by the Company, including "lubricant base oil, while it takes a further period of time to pass the fluctuations of raw materials on to selling prices of own products for the Company, although it is not necessarily possible to fully pass them on. Thus, it always takes a certain period of time for the fluctuations of crude oil prices to be passed on to selling prices of own products for the Company.

Changes in Gross Profit Margin

For the Company as a whole, gross profit margin through FY02/2020 to FY02/2022 peaked for Q1 FY02/2022 at 34.9%, which was followed by 33.1% for Q2, 31.6% for Q3 and 28.4% for Q4, having had continuously declined. Revision on selling prices for own products by the Company was triggered by the rise in procurement cost, but it appears that the impact of revision on selling prices had been consistently smaller than that of the rise in procurement cost during the same period, due mainly to a factor that it always takes a certain period of time for the former to be passed on to the latter as mentioned above. However, for Q1 FY02/2023, just after the said period, the Company saw gross profit margin of 29.1% (up 0.8% point QoQ and/or down 5.8% points YoY), implying a trend of recovery on a quarter on quarter basis. That is to say, a possibility is pointed out that the impact of revision on selling prices of own products by the Company has exceeded that of the rise in procurement cost at least in the short term.

A Potential of Recovery for Gross Profit Margin

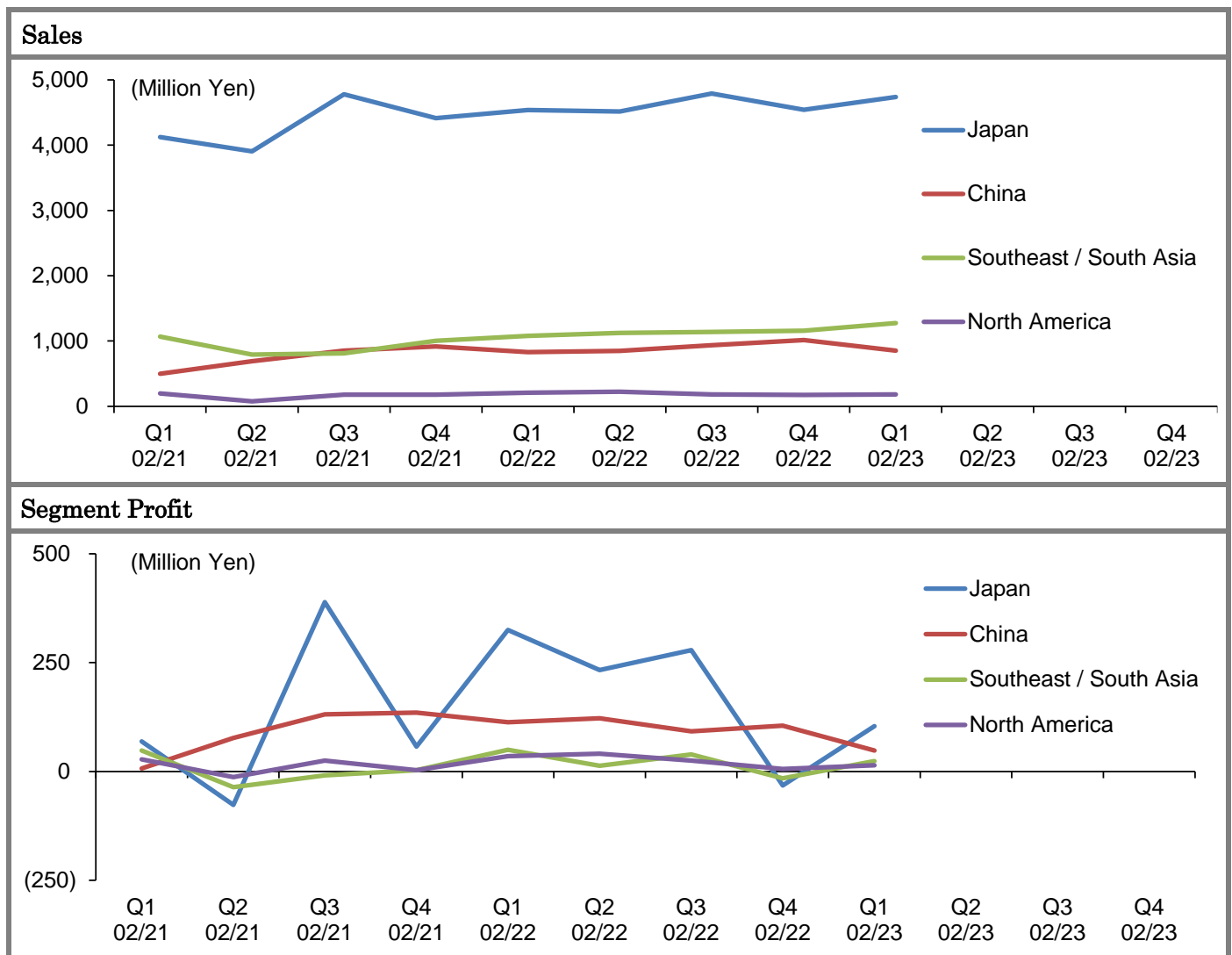
For Q1 FY02/2023, gross profit margin declined significantly over the same period of the previous year, i.e., Q1 FY02/2022, when gross profit margin for the Company as a whole peaked during the period through FY02/2020 to FY02/2022, as mentioned above. In other words, it should have been the case that the Company did not suffer from the impact of increased procurement cost at all during the same period of the previous year. Thus, if the Company comes to a stage, for the future, where the impact of increased procurement cost is fully compensated for by the impact of revision on selling prices of own products, there should be an opportunity for the Company to see a potential recovery in gross profit margin as much as having declined over the same period of the previous year, i.e., by 5.8% points.

Framework to Steadily Implement Revision on Selling Prices

The Company says that it cannot deny a possibility for a rise in procurement cost to persist for the future. More importantly, however, the Company also says that it strives to set up framework to steadily implement revision on selling prices of own products in order to respond to this, while taking all possible measures at the same time, such as development of alternative raw materials, multiple purchasing and strengthening of the supply chain.

Segmented Information

The Company discloses performance by region with its segmented information. In terms of the actual results of Q1 FY02/2023, sales in Japan accounted for 67.2% of total, sales in China 12.1%, sales in Southeast / South Asia (Thailand, Indonesia and India) 18.1% and sales in North America 2.6%, while 55.0%, 25.4%, 12.7% and 7.4%, respectively, for segment profit, as well as 2.2%, 5.6%, 1.9% and 7.7%, respectively, for segment profit margin. In other words, the Company sees segment profit margin relatively lower in Japan where it sees almost 70% of sales, which is attributable to a factor that a part of expenses is allocated intensively in Japan with the Company's segmented information.



Source: Company Data, WRJ Calculation

In Japan, the Company is developing new products based on own expertise and thus it sees expenses stemming from here also in Japan, inevitably resulting in segment profit margin lower to a corresponding extent. For example, the Company suggests that nano emulsion technology to dissolve functional materials in a much smaller size than before has a capability to greatly improve oral / transdermal absorption rate of poorly water-soluble drugs. Based on this technology, the Company is developing new products in the field of life science, while suggesting that a major healthcare company has been already making progress in its evaluations toward the adoption for its cosmetics products.

Japan (67.2% of sales, 55.0% of segment profit)

For Q1 FY02/2023, sales came in at ¥4,738m (up 4.4%), segment profit ¥104m (down 68.1%) and segment profit margin 2.2% (down 5.0% points). Meanwhile, by business division, sales of Functional Fluids came in at ¥2,077m (up 11.7%), sales of Hot Melt Adhesives ¥1,069m (up 5.5%) and sales of Other (Liquid Paraffines & Sulfonates / Synthetic Lubricants / Other) ¥1,591m (down 4.0%). With respect to increased sales of Functional Fluids, a recovery in demand for vacuum pump oils and successful development of new customer for cutting fluids are mentioned as the key contributors, whose impact was substantial enough to more than compensating for sluggishness associated with decreased sales of die casting fluids in line with decreased production volume of autos, decreased sales of high temperature lubricants on the occasion of stock adjustment in customer and decreased exports bound for China due to decreased demand. With respect to increased sales of Hot Melt Adhesives, the Company says that it saw a recovery in demand for hygiene hot melt adhesives (for disposable diapers) and a development of new customer for general hot melt adhesives. With respect to decreased sales of Other (Liquid Paraffines & Sulfonates / Synthetic Lubricants / Other), the Company suggests that decreased sales in subsidiary MATSUKEN CO., LTD. is the key negative factor. During the same period of the previous year, this subsidiary saw sales intensively concentrated for its large-scale project of wastewater treatment equipment, which did not reappear.

China (12.1% of sales, 25.4% of segment profit)

For Q1 FY02/2023, sales came in at ¥854m (up 2.9%), segment profit ¥48m (down 57.8%) and segment profit margin 5.6% (down 8.0% points). Meanwhile, by business division, sales of Functional Fluids came in at ¥586m (up 18.9%), sales of Hot Melt Adhesives ¥192m (down 25.0%) and sales of Other (Liquid Paraffines & Sulfonates / Synthetic Lubricants / Other) ¥76m (down 5.0%). With respect to increased sales of Functional Fluids, the Company says it was contributing that sales volume was steadily rising in spite of a situation that customers suffered from a low capacity utilization rate in their production facilities as a result of restrained corporate activities due to the impact of Zero-Corona policy locally implemented, while pointing out that the impact of revision on selling prices of own products was rather larger than elsewhere. Meanwhile, with respect to decreased sales of Hot Melt Adhesives, the impact was significant, stemming from that demand associated with application for filters adopted in air purifiers slowed down, according to the Company.

Southeast / South Asia (18.1% of sales, 12.7% of segment profit)

For Q1 FY02/2023, sales came in at ¥1,276m (up 18.1%), segment profit ¥24m (down 51.6%) and segment profit margin 1.9% (down 2.7% points). Meanwhile, by business division, sales of Functional Fluids came in at ¥618m (up 7.7%), sales of Hot Melt Adhesives ¥537m (up 33.9%) and sales of Other (Liquid Paraffines & Sulfonates / Synthetic Lubricants / Other) ¥121m (up 15.2%). In the relevant countries of Thailand, Indonesia and India, the economy is recovering, but sales volume is sluggish for Functional Fluids due to inventory adjustments by customers. However, this was more than compensated for by the impact of revision of selling prices of own products, having resulted in a steady increase in sales. Meanwhile, the Company says that it sees a surging sales volume for Hot Melt Adhesives, driven mainly by strengths in India.

North America (2.6% of sales, 7.4% of segment profit)

For Q1 FY02/2023, sales came in at ¥182m (down 12.9%), segment profit ¥14m (down 59.7%) and segment profit margin 7.7% (down 9.1% points). Meanwhile, by business division, sales of Functional Fluids came in at ¥138m (down 12.1%), sales of Hot Melt Adhesives ¥11m and sales of Other (Liquid Paraffines & Sulfonates / Synthetic Lubricants / Other) ¥33m. With respect to decreased sales of Functional Fluids, accounting for almost 80% of sales in this segment, the Company points out that it suffered from the impact of a major decline in utilization rate in production facilities of a Japanese automaker based in Mexico.

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	Q1 to Q4	Net Chg.
	02/2022	02/2022	02/2022	02/2022	02/2023	02/2023	02/2023	02/2023	02/2023	
Sales	6,656	13,366	20,415	27,300	7,050	-	-	-	-	+394
Cost of Sales	4,332	8,822	13,643	18,575	4,997	-	-	-	-	+665
Gross Profit	2,324	4,544	6,772	8,725	2,053	-	-	-	-	(271)
SG&A Expenses	1,805	3,621	5,397	7,291	1,852	-	-	-	-	+47
Operating Profit	520	923	1,375	1,434	201	-	-	-	-	(319)
Non Operating Balance	201	240	357	577	270	-	-	-	-	+69
Recurring Profit	721	1,163	1,732	2,011	471	-	-	-	-	(250)
Extraordinary Balance	834	833	833	833	-	-	-	-	-	(834)
Profit before Income Taxes	1,555	1,996	2,565	2,844	471	-	-	-	-	(1,084)
Total Income Taxes	379	527	685	831	116	-	-	-	-	(263)
Profit Attributable to Non-Controlling Interests	81	110	150	205	38	-	-	-	-	(43)
Profit Attributable to Owners of Parent	1,095	1,359	1,730	1,808	317	-	-	-	-	(778)
Sales YoY	+13.1%	+17.8%	+13.6%	+11.5%	+5.9%	-	-	-	-	-
Operating Profit YoY	+265.0%	+820.0%	+114.5%	+70.3%	(61.4%)	-	-	-	-	-
Recurring Profit YoY	-	-	+164.0%	+95.3%	(34.7%)	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	-	-	+471.0%	+249.1%	(71.0%)	-	-	-	-	-
Gross Profit Margin	34.9%	34.0%	33.2%	32.0%	29.1%	-	-	-	-	(5.8%)
SG&A Expenses Ratio	27.1%	27.1%	26.4%	26.7%	26.3%	-	-	-	-	(0.8%)
Operating Profit Margin	7.8%	6.9%	6.7%	5.3%	2.9%	-	-	-	-	(5.0%)
Recurring Profit Margin	10.8%	8.7%	8.5%	7.4%	6.7%	-	-	-	-	(4.2%)
Profit Attributable to Owners of Parent Margin	16.5%	10.2%	8.5%	6.6%	4.5%	-	-	-	-	(12.0%)
Total Income Taxes / Profit before Income Taxes	24.4%	26.4%	26.7%	29.2%	24.6%	-	-	-	-	+0.3%
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	Q4	Net Chg.
	02/2022	02/2022	02/2022	02/2022	02/2023	02/2023	02/2023	02/2023	02/2023	
Sales	6,656	6,710	7,049	6,885	7,050	-	-	-	-	+394
Cost of Sales	4,332	4,490	4,821	4,932	4,997	-	-	-	-	+665
Gross Profit	2,324	2,220	2,228	1,953	2,053	-	-	-	-	(271)
SG&A Expenses	1,805	1,816	1,776	1,894	1,852	-	-	-	-	+47
Operating Profit	520	403	452	59	201	-	-	-	-	(319)
Non Operating Balance	201	39	117	220	270	-	-	-	-	+69
Recurring Profit	721	442	569	279	471	-	-	-	-	(250)
Extraordinary Balance	834	(1)	-	-	-	-	-	-	-	(834)
Profit before Income Taxes	1,555	441	569	279	471	-	-	-	-	(1,084)
Total Income Taxes	379	148	158	146	116	-	-	-	-	(263)
Profit Attributable to Non-Controlling Interests	81	29	40	55	38	-	-	-	-	(43)
Profit Attributable to Owners of Parent	1,095	264	371	78	317	-	-	-	-	(778)
Sales YoY	+13.1%	+22.8%	+6.5%	+5.7%	+5.9%	-	-	-	-	-
Operating Profit YoY	+265.0%	-	(16.5%)	(70.6%)	(61.4%)	-	-	-	-	-
Recurring Profit YoY	-	-	(4.8%)	(25.4%)	(34.7%)	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	-	-	(5.6%)	(63.7%)	(71.0%)	-	-	-	-	-
Gross Profit Margin	34.9%	33.1%	31.6%	28.4%	29.1%	-	-	-	-	(5.8%)
SG&A Expenses Ratio	27.1%	27.1%	25.2%	27.5%	26.3%	-	-	-	-	(0.8%)
Operating Profit Margin	7.8%	6.0%	6.4%	0.9%	2.9%	-	-	-	-	(5.0%)
Recurring Profit Margin	10.8%	6.6%	8.1%	4.1%	6.7%	-	-	-	-	(4.2%)
Profit Attributable to Owners of Parent Margin	16.5%	3.9%	5.3%	1.1%	4.5%	-	-	-	-	(12.0%)
Total Income Taxes / Profit before Income Taxes	24.4%	33.6%	27.8%	52.3%	24.6%	-	-	-	-	+0.3%

Source: Company Data, WRJ Calculation

Segmented Information (Cumulative / Quarterly)

Segmented Information	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	YoY	
(Million Yen)	02/2022	02/2022	02/2022	02/2022	02/2023	02/2023	02/2023	02/2023	02/2023	Net Chg.
Japan	4,537	9,053	13,843	18,385	4,738	-	-	-	-	+201
China	830	1,677	2,612	3,625	854	-	-	-	-	+24
Southeast / South Asia	1,080	2,205	3,345	4,501	1,276	-	-	-	-	+196
North America	209	432	615	789	182	-	-	-	-	(27)
Sales	6,656	13,366	20,415	27,300	7,050	-	-	-	-	+394
Japan	325	558	837	805	104	-	-	-	-	(221)
China	113	235	327	432	48	-	-	-	-	(65)
Southeast / South Asia	50	63	102	86	24	-	-	-	-	(26)
North America	35	76	101	107	14	-	-	-	-	(21)
Segment Profit	523	932	1,367	1,431	189	-	-	-	-	(334)
Adjustments	(3)	(9)	7	4	11	-	-	-	-	+14
Operating Profit	520	923	1,375	1,434	201	-	-	-	-	(319)
Japan	7.2%	6.2%	6.0%	4.4%	2.2%	-	-	-	-	(5.0%)
China	13.6%	14.0%	12.5%	11.9%	5.6%	-	-	-	-	(8.0%)
Southeast / South Asia	4.6%	2.9%	3.0%	1.9%	1.9%	-	-	-	-	(2.7%)
North America	16.7%	17.6%	16.4%	13.6%	7.7%	-	-	-	-	(9.1%)
Adjustments	(0.0%)	(0.1%)	0.0%	0.0%	0.2%	-	-	-	-	+0.2%
Operating Profit Margin	7.8%	6.9%	6.7%	5.3%	2.9%	-	-	-	-	(5.0%)

Segmented Information	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	YoY	
(Million Yen)	02/2022	02/2022	02/2022	02/2022	02/2023	02/2023	02/2023	02/2023	02/2023	Net Chg.
Japan	4,537	4,516	4,790	4,542	4,738	-	-	-	-	+201
China	830	847	935	1,013	854	-	-	-	-	+24
Southeast / South Asia	1,080	1,125	1,140	1,156	1,276	-	-	-	-	+196
North America	209	223	183	174	182	-	-	-	-	(27)
Sales	6,656	6,710	7,049	6,885	7,050	-	-	-	-	+394
Japan	325	233	279	(32)	104	-	-	-	-	(221)
China	113	122	92	105	48	-	-	-	-	(65)
Southeast / South Asia	50	13	39	(16)	24	-	-	-	-	(26)
North America	35	41	25	6	14	-	-	-	-	(21)
Segment Profit	523	409	435	64	189	-	-	-	-	(334)
Adjustments	(3)	(6)	16	(3)	11	-	-	-	-	+14
Operating Profit	520	403	452	59	201	-	-	-	-	(319)
Japan	7.2%	5.2%	5.8%	(0.7%)	2.2%	-	-	-	-	(5.0%)
China	13.6%	14.4%	9.8%	10.4%	5.6%	-	-	-	-	(8.0%)
Southeast / South Asia	4.6%	1.2%	3.4%	(1.4%)	1.9%	-	-	-	-	(2.7%)
North America	16.7%	18.4%	13.7%	3.4%	7.7%	-	-	-	-	(9.1%)
Adjustments	(0.0%)	(0.1%)	0.2%	(0.0%)	0.2%	-	-	-	-	+0.2%
Operating Profit Margin	7.8%	6.0%	6.4%	0.9%	2.9%	-	-	-	-	(5.0%)

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		Net Chg.
	02/2022	02/2022	02/2022	02/2022	02/2023	02/2023	02/2023	02/2023	02/2023	
Functional Fluids	3,083	6,341	9,687	13,021	3,420	-	-	-	-	+337
Synthetic Lubricants	503	1,033	1,529	1,974	502	-	-	-	-	(1)
Liquid Paraffines & Sulfonates	807	1,672	2,579	3,480	902	-	-	-	-	+95
Hot Melt Adhesives	1,671	3,325	5,086	6,785	1,809	-	-	-	-	+138
Device Materials	57	128	198	237	45	-	-	-	-	(12)
Other	528	859	1,328	1,794	372	-	-	-	-	(156)
Chemical Business	6,648	13,358	20,407	27,292	7,050	-	-	-	-	+402
Rental Building Business	8	8	8	8	-	-	-	-	-	(8)
Sales	6,656	13,366	20,415	27,300	7,050	-	-	-	-	+394
Functional Fluids	+25.1%	+36.5%	+27.2%	+23.2%	+10.9%	-	-	-	-	-
Synthetic Lubricants	(4.3%)	+12.6%	+7.0%	+5.5%	(0.1%)	-	-	-	-	-
Liquid Paraffines & Sulfonates	(6.4%)	(3.9%)	+2.6%	+2.8%	+11.9%	-	-	-	-	-
Hot Melt Adhesives	+2.8%	+0.7%	+0.5%	(0.3%)	+8.2%	-	-	-	-	-
Device Materials	+159.6%	+202.2%	+149.4%	+109.9%	(21.3%)	-	-	-	-	-
Other	+41.8%	+27.3%	+7.8%	+6.6%	(29.5%)	-	-	-	-	-
Chemical Business	+13.2%	+18.0%	+13.8%	+11.7%	+5.9%	-	-	-	-	-
Rental Building Business	(36.7%)	(68.3%)	(78.9%)	(84.2%)	-	-	-	-	-	-
Sales (YoY)	+13.1%	+17.8%	+13.6%	+11.5%	+5.9%	-	-	-	-	-
Functional Fluids	46.3%	47.4%	47.5%	47.7%	48.5%	-	-	-	-	-
Synthetic Lubricants	7.6%	7.7%	7.5%	7.2%	7.1%	-	-	-	-	-
Liquid Paraffines & Sulfonates	12.1%	12.5%	12.6%	12.7%	12.8%	-	-	-	-	-
Hot Melt Adhesives	25.1%	24.9%	24.9%	24.9%	25.7%	-	-	-	-	-
Device Materials	0.9%	1.0%	1.0%	0.9%	0.6%	-	-	-	-	-
Other	7.9%	6.4%	6.5%	6.6%	5.3%	-	-	-	-	-
Chemical Business	99.9%	99.9%	100.0%	100.0%	100.0%	-	-	-	-	-
Rental Building Business	0.1%	0.1%	0.0%	0.0%	-	-	-	-	-	-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	-	-
Sales by Business Division	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	02/2022	02/2022	02/2022	02/2022	02/2023	02/2023	02/2023	02/2023	02/2023	
Functional Fluids	3,083	3,258	3,346	3,334	3,420	-	-	-	-	+337
Synthetic Lubricants	503	530	496	445	502	-	-	-	-	(1)
Liquid Paraffines & Sulfonates	807	865	907	901	902	-	-	-	-	+95
Hot Melt Adhesives	1,671	1,654	1,761	1,699	1,809	-	-	-	-	+138
Device Materials	57	71	70	39	45	-	-	-	-	(12)
Other	528	331	469	466	372	-	-	-	-	(156)
Chemical Business	6,648	6,710	7,049	6,885	7,050	-	-	-	-	+402
Rental Building Business	8	-	-	-	-	-	-	-	-	(8)
Sales	6,656	6,710	7,049	6,885	7,050	-	-	-	-	+394
Functional Fluids	+25.1%	+49.2%	+12.7%	+13.1%	+10.9%	-	-	-	-	-
Synthetic Lubricants	(4.3%)	+35.2%	(2.9%)	+0.2%	(0.1%)	-	-	-	-	-
Liquid Paraffines & Sulfonates	(6.4%)	(1.4%)	+17.0%	+3.4%	+11.9%	-	-	-	-	-
Hot Melt Adhesives	+2.8%	(1.3%)	+0.2%	(2.9%)	+8.2%	-	-	-	-	-
Device Materials	+159.6%	+255.0%	+89.2%	+14.7%	(21.3%)	-	-	-	-	-
Other	+41.8%	+9.2%	(15.8%)	+3.6%	(29.5%)	-	-	-	-	-
Chemical Business	+13.2%	+23.1%	+6.7%	+6.0%	+5.9%	-	-	-	-	-
Rental Building Business	(36.7%)	-	-	-	-	-	-	-	-	-
Sales (YoY)	+13.1%	+22.8%	+6.5%	+5.7%	+5.9%	-	-	-	-	-
Functional Fluids	46.3%	48.6%	47.5%	48.4%	48.5%	-	-	-	-	-
Synthetic Lubricants	7.6%	7.9%	7.0%	6.5%	7.1%	-	-	-	-	-
Liquid Paraffines & Sulfonates	12.1%	12.9%	12.9%	13.1%	12.8%	-	-	-	-	-
Hot Melt Adhesives	25.1%	24.6%	25.0%	24.7%	25.7%	-	-	-	-	-
Device Materials	0.9%	1.1%	1.0%	0.6%	0.6%	-	-	-	-	-
Other	7.9%	4.9%	6.7%	6.8%	5.3%	-	-	-	-	-
Chemical Business	99.9%	100.0%	100.0%	100.0%	100.0%	-	-	-	-	-
Rental Building Business	0.1%	-	-	-	-	-	-	-	-	-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	-	-

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	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
	02/2022	02/2022	02/2022	02/2022	02/2023	02/2023	02/2023	02/2023		
Cash and Deposit	4,521	3,988	4,090	4,001	3,812	-	-	-	-	(709)
Accounts Receivables	6,479	6,337	6,800	6,844	7,046	-	-	-	-	+567
Inventory	4,665	4,869	5,043	5,326	5,727	-	-	-	-	+1,062
Other	545	413	343	436	580	-	-	-	-	+35
Current Assets	16,210	15,607	16,276	16,607	17,165	-	-	-	-	+955
Tangible Assets	7,811	7,842	7,954	8,304	8,330	-	-	-	-	+519
Intangible Assets	742	706	672	633	614	-	-	-	-	(128)
Investments and Other Assets	3,238	3,182	3,320	3,465	3,583	-	-	-	-	+345
Fixed Assets	11,791	11,730	11,947	12,401	12,527	-	-	-	-	+736
Total Assets	28,001	27,337	28,223	29,008	29,691	-	-	-	-	+1,690
Accounts Payables	3,925	3,762	4,151	4,308	4,419	-	-	-	-	+494
Short Term Debt	1,119	566	553	560	857	-	-	-	-	(262)
Other	2,223	2,065	2,453	2,392	2,052	-	-	-	-	(171)
Current Liabilities	7,267	6,393	7,157	7,260	7,328	-	-	-	-	+61
Long Term Debt	660	545	430	350	457	-	-	-	-	(203)
Other	568	587	590	847	785	-	-	-	-	+217
Fixed Liabilities	1,228	1,132	1,020	1,197	1,242	-	-	-	-	+14
Total Liabilities	8,495	7,525	8,178	8,457	8,570	-	-	-	-	+75
Shareholders' Equity	16,697	16,966	17,150	17,227	17,357	-	-	-	-	+660
Other	2,809	2,846	2,896	3,324	3,764	-	-	-	-	+955
Net Assets	19,506	19,812	20,046	20,551	21,121	-	-	-	-	+1,615
Total Liabilities & Net Assets	28,001	27,337	28,223	29,008	29,691	-	-	-	-	+1,690
Equity Capital	17,096	17,381	17,586	17,962	18,492	-	-	-	-	+1,396
Interest Bearing Debt	1,779	1,111	983	910	1,314	-	-	-	-	(465)
Net Debt	(2,742)	(2,877)	(3,107)	(3,091)	(2,498)	-	-	-	-	+244
Equity Ratio	61.1%	63.6%	62.3%	61.9%	62.3%	-	-	-	-	-
Net Debt Equity Ratio	(16.0%)	(16.6%)	(17.7%)	(17.2%)	(13.5%)	-	-	-	-	-
ROE (12 months)	10.0%	12.0%	11.7%	10.7%	5.8%	-	-	-	-	-
ROA (12 months)	6.2%	7.9%	7.7%	7.1%	6.1%	-	-	-	-	-
Days for Inventory Turnover	98	98	95	98	104	-	-	-	-	-
Quick Ratio	151%	162%	152%	149%	148%	-	-	-	-	-
Current Ratio	223%	244%	227%	229%	234%	-	-	-	-	-

Source: Company Data, WRJ Calculation

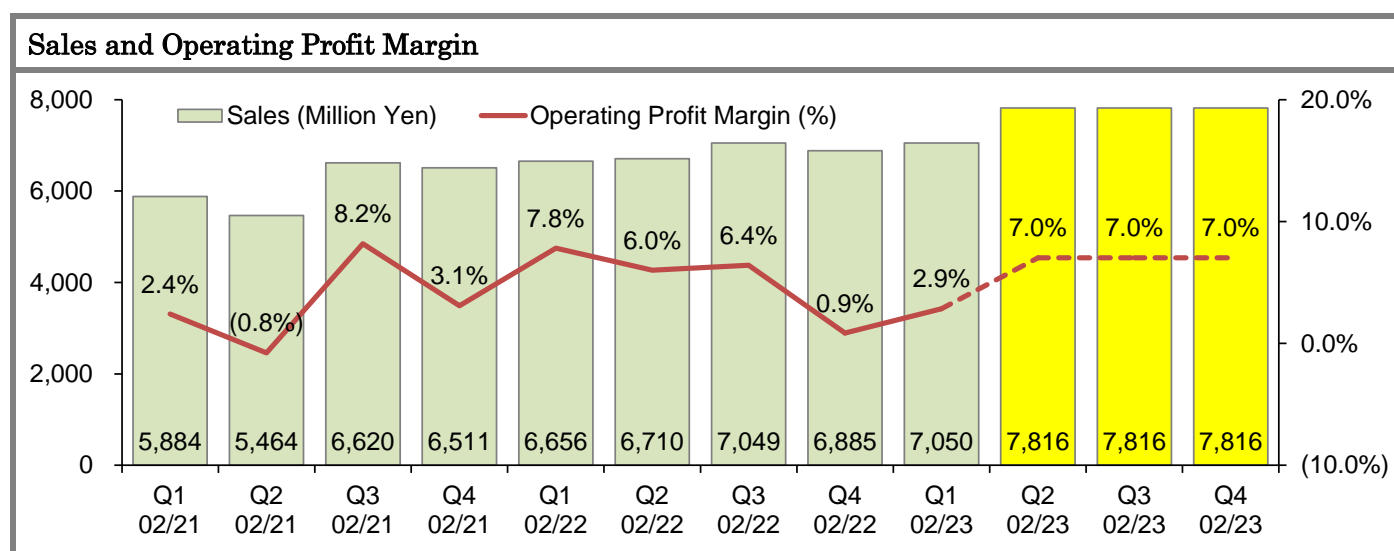
Cash Flow Statement (Cumulative)

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	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		
	02/2022	02/2022	02/2022	02/2022	02/2023	02/2023	02/2023	02/2023		
Operating Cash Flow	-	1,327	-	2,333	-	-	-	-	-	-
Investing Cash Flow	-	1,043	-	603	-	-	-	-	-	-
Operating Cash Flow and Investing Cash Flow	-	2,370	-	2,936	-	-	-	-	-	-
Financing Cash Flow	-	(2,504)	-	(2,937)	-	-	-	-	-	-

Source: Company Data, WRJ Calculation

FY02/2023 Company Forecasts

FY02/2023 Company forecasts (announced on 12 April 2022) have remained unchanged, going for prospective sales of ¥30,500m (up 11.7% YoY), operating profit of ¥1,850m (up 29.0%), recurring profit of ¥2,200m (up 9.4%) and profit attributable to owners of parent of ¥1,300m (down 28.1%), while operating profit margin of 6.1% (up 0.8% points). At the same time, Company forecasts have remained unchanged also for prospective annual dividend, going for ¥40.00 per share, implying payout ratio of 28.6%.



Source: Company Data, WRJ Calculation (Q2 /Q3 /Q4 FY03/2023: full-year Co. fore. after subtracting Q1 results, pro rata)

At the non-operating level and the extraordinary level, Company forecasts assume windfalls in FY02/2022 not to reappear, i.e., net currency gain of ¥247m for the former and gain of ¥833m on sale of fixed assets for the latter, resulting in the rate of increase in recurring profit smaller than operating profit and profit attributable to owners of parent inevitably declining over the previous year.

According to the Company, there will be an uncertainty about the future for the time being. Still, the Company is to focus on management efforts represented by the measure for the rise in procurement cost to be passed on to selling prices of own products so that the above-mentioned Company forecasts should be met. For example, the Company is worried about the impact of lockdowns in Shanghai and other areas. On top of this, it is taken for granted that there is a sea of uncertainty in light of the increased geopolitical risks associated with Russian invasion of Ukraine. For another concern, the Company says that auto production volume is reduced by shortage of semiconductors, which is a major risk. Nevertheless, the Company suggests that it sets out assumptions related to all those factors, which are reflected in the above-mentioned Company forecasts. By the way, the Company made an upward revision for performance target of its midterm management plan (FY02/2022 to FY02/2024) on 22 February 2022, while the latest FY02/2023 Company forecasts are in line with the assumptions at that time.

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

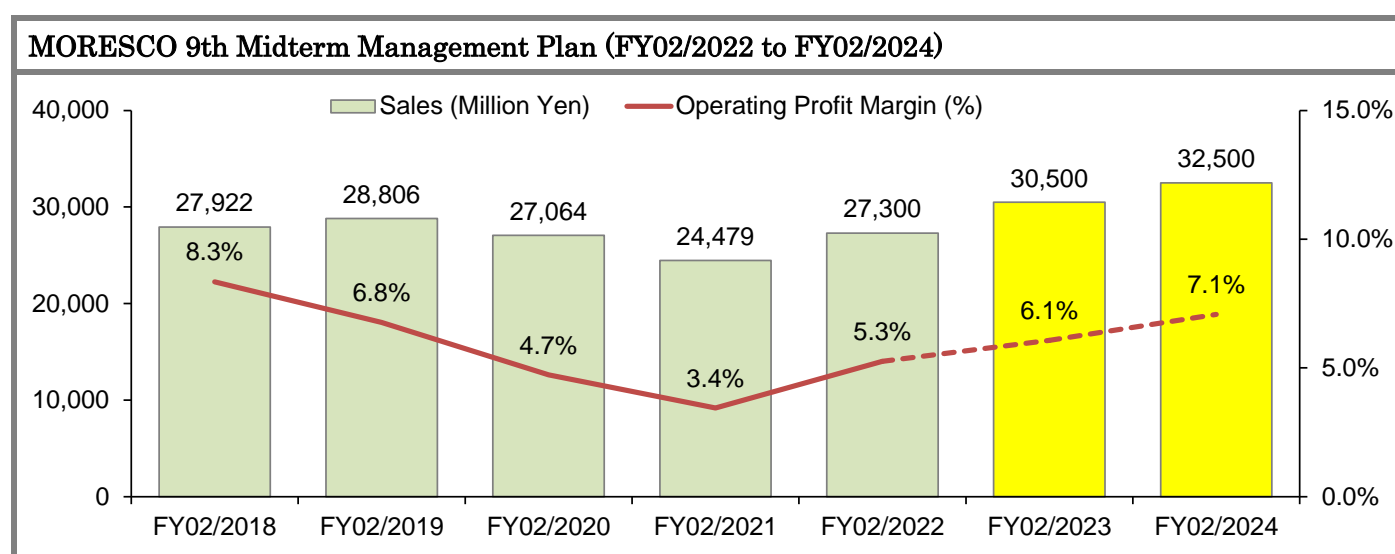
FY02/2023 Company Forecasts

Consolidated Fiscal Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
FY02/2023CoE	12-Apr-22	Q4 Results	30,500	1,850	2,200	1,300
FY02/2023CoE	13-Jul-22	Q1 Results	30,500	1,850	2,200	1,300
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
FY02/2023CoE	12-Apr-22	Q4 Results	30,500	1,850	2,200	1,300
FY02/2023CoE	13-Jul-22	Q1 Results	30,500	1,850	2,200	1,300
		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 FY02/2023CoE	12-Apr-22	Q4 Results	-	-	-	-
Q1 to Q2 FY02/2023CoE	13-Jul-22	Q1 Results	-	-	-	-
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Q1 to Q2 FY02/2023CoE	12-Apr-22	Q4 Results	-	-	-	-
Q1 to Q2 FY02/2023CoE	13-Jul-22	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 FY02/2023CoE	12-Apr-22	Q4 Results	-	-	-	-
Q3 to Q4 FY02/2023CoE	13-Jul-22	Q1 Results	-	-	-	-
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Q3 to Q4 FY02/2023CoE	12-Apr-22	Q4 Results	-	-	-	-
Q3 to Q4 FY02/2023CoE	13-Jul-22	Q1 Results	-	-	-	-
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-

Source: Company Data, WRJ Calculation

Long-Term Prospects

MORESCO 9th Midterm Management Plan (FY02/2022 to FY02/2024) is calling for prospective sales of ¥32,500m, operating profit of ¥2,300m, recurring profit of ¥2,650m and profit attributable to owners of parent of ¥1,650m as performance target for FY02/2024, the final year of the plan. That is to say, the plan is now calling for CAGR of 9.1% for sales and 26.6% for operating profit during the two-year period toward FY02/2024, when setting the FY02/2022 results as the point of origin, implying that V-shaped recovery in sales and operating profit margin after having hit the bottom in FY02/2021 is to persist from a midterm perspective.



Source: Company Data, WRJ Calculation

MORESCO 9th Midterm Management Plan was originally announced on 22 February 2021. Then, revision was made and announced on 13 April 2021 (only reflecting extraordinary gain from sale of MORESCO Honmachi Building, which was not expected originally) and then another revision was made and announced on 22 February 2022, which is reflected in the above-mentioned performance target. From the former to the latter, prospective sales for FY02/2024, the final year of the plan, were revised up by ¥2,750m (9.2%) and by ¥70m (3.1%) for operating profit. This was due mainly to a recovery in auto production volume, according to the Company.

As mentioned earlier, FY02/2023 Company forecasts (announced on 12 April 2022) have remained unchanged from assumptions of the most recent MORESCO 9th Midterm Management Plan (revised on 22 February 2022). Meanwhile, the actual results of FY02/2022 were marginally worse than the assumptions, i.e., by ¥100m (0.4%) for sales and by ¥126m (8.1%) for operating profit. It appears that this was basically attributable to a factor to inevitably take a certain period of time for the rise in procurement cost to be passed on to selling prices of own products.

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
	02/2018	02/2019	02/2020	02/2021	02/2022	02/2023	Net Chg.
Sales	27,922	28,806	27,064	24,479	27,300	30,500	+3,200
Cost of Sales	18,406	19,487	18,330	16,640	18,575	-	-
Gross Profit	9,516	9,319	8,734	7,838	8,725	-	-
SG&A Expenses	7,187	7,369	7,456	6,996	7,291	-	-
Operating Profit	2,330	1,950	1,279	842	1,434	1,850	+416
Non Operating Balance	270	252	289	188	577	350	(227)
Recurring Profit	2,600	2,202	1,568	1,030	2,011	2,200	+189
Extraordinary Balance	-	76	-	(119)	833	-	-
Profit before Income Taxes	2,600	2,278	1,568	911	2,844	-	-
Total Income Taxes	663	576	540	240	831	-	-
Profit Attributable to Non-Controlling Interests	313	264	251	153	205	-	-
Profit Attributable to Owners of Parent	1,623	1,438	776	518	1,808	1,300	(508)
Sales YoY	+4.7%	+3.2%	(6.0%)	(9.6%)	+11.5%	+11.7%	-
Operating Profit YoY	(1.9%)	(16.3%)	(34.4%)	(34.1%)	+70.3%	+29.0%	-
Recurring Profit YoY	(2.2%)	(15.3%)	(28.8%)	(34.3%)	+95.3%	+9.4%	-
Profit Attributable to Owners of Parent YoY	+1.4%	(11.4%)	(46.0%)	(33.3%)	+249.1%	(28.1%)	-
Gross Profit Margin	34.1%	32.4%	32.3%	32.0%	32.0%	-	-
SG&A Expenses Ratio	25.7%	25.6%	27.5%	28.6%	26.7%	-	-
Operating Profit Margin	8.3%	6.8%	4.7%	3.4%	5.3%	6.1%	+0.8%
Recurring Profit Margin	9.3%	7.6%	5.8%	4.2%	7.4%	7.2%	(0.2%)
Profit Attributable to Owners of Parent Margin	5.8%	5.0%	2.9%	2.1%	6.6%	4.3%	(2.4%)
Total Income Taxes / Profit before Income Taxes	25.5%	25.3%	34.4%	26.3%	29.2%	-	-

Source: Company Data, WRJ Calculation

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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
	02/2018	02/2019	02/2020	02/2021	02/2022	02/2023	Net Chg.
Japan	19,212	19,944	19,005	17,220	18,385	-	-
China	3,451	3,335	2,919	2,957	3,625	-	-
Southeast / South Asia	4,427	4,740	4,427	3,671	4,501	-	-
North America	832	786	713	631	789	-	-
Sales	27,922	28,806	27,064	24,479	27,300	30,500	+3,200
Japan	1,465	1,229	909	438	805	-	-
China	363	305	251	350	432	-	-
Southeast / South Asia	447	351	143	6	86	-	-
North America	1	(6)	(21)	43	107	-	-
Segment Profit	2,276	1,878	1,283	837	1,431	-	-
Adjustments	54	72	(4)	5	4	-	-
Operating Profit	2,330	1,950	1,279	842	1,434	1,850	+416
Japan	7.6%	6.2%	4.8%	2.5%	4.4%	-	-
China	10.5%	9.1%	8.6%	11.8%	11.9%	-	-
Southeast / South Asia	10.1%	7.4%	3.2%	0.2%	1.9%	-	-
North America	0.1%	(0.8%)	(2.9%)	6.8%	13.6%	-	-
Adjustments	0.2%	0.2%	(0.0%)	0.0%	0.0%	-	-
Operating Profit Margin	8.3%	6.8%	4.7%	3.4%	5.3%	6.1%	+0.8%

Source: Company Data, WRJ Calculation

Sales by Business Division

Sales by Business Division	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
(Million Yen)	FY	FY	FY	FY	FY	FY	YoY
	02/2018	02/2019	02/2020	02/2021	02/2022	02/2023	Net Chg.
Functional Fluids	12,583	13,158	12,540	10,566	13,021	14,200	+1,179
Synthetic Lubricants	2,743	2,602	2,115	1,872	1,974	2,150	+176
Liquid Paraffines & Sulfonates	3,576	3,874	3,720	3,385	3,480	4,400	+920
Hot Melt Adhesives	7,274	7,318	6,882	6,807	6,785	7,500	+715
Device Materials	-	-	126	113	237	250	+13
Other	1,693	1,800	1,628	1,682	1,794	2,000	+206
Chemical Business	27,869	28,752	27,011	24,425	27,292	30,500	+3,208
Rental Building Business	53	53	53	53	8	-	(8)
Sales	27,922	28,806	27,064	24,479	27,300	30,500	+3,200
Functional Fluids	+4.0%	+4.6%	(4.7%)	(15.7%)	+23.2%	+9.1%	
Synthetic Lubricants	(5.5%)	(5.1%)	(18.7%)	(11.5%)	+5.5%	+8.9%	
Liquid Paraffines & Sulfonates	+5.9%	+8.3%	(4.0%)	(9.0%)	+2.8%	+26.4%	
Hot Melt Adhesives	+6.6%	+0.6%	(6.0%)	(1.1%)	(0.3%)	+10.5%	
Device Materials	-	-	-	(10.3%)	+109.9%	+5.5%	
Other	+19.1%	+6.3%	(5.3%)	+3.3%	+6.6%	+11.5%	
Chemical Business	+4.7%	+3.2%	(6.1%)	(9.6%)	+11.7%	+11.8%	
Rental Building Business	0.0%	0.0%	0.0%	0.0%	(84.2%)	-	
Sales (YoY)	+4.7%	+3.2%	(6.0%)	(9.6%)	+11.5%	+11.7%	
Functional Fluids	45.1%	45.7%	46.3%	43.2%	47.7%	46.6%	
Synthetic Lubricants	9.8%	9.0%	7.8%	7.6%	7.2%	7.0%	
Liquid Paraffines & Sulfonates	12.8%	13.4%	13.7%	13.8%	12.7%	14.4%	
Hot Melt Adhesives	26.1%	25.4%	25.4%	27.8%	24.9%	24.6%	
Device Materials	-	-	0.5%	0.5%	0.9%	0.8%	
Other	6.1%	6.2%	6.0%	6.9%	6.6%	6.6%	
Chemical Business	99.8%	99.8%	99.8%	99.8%	100.0%	100.0%	
Rental Building Business	0.2%	0.2%	0.2%	0.2%	0.0%	-	
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

Source: Company Data, WRJ Calculation

Balance Sheet

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 02/2018	FY 02/2019	FY 02/2020	FY 02/2021	FY 02/2022	FY 02/2023	YoY Net Chg.
Cash and Deposit	3,715	3,377	3,576	4,108	4,001	-	-
Accounts Receivables	7,011	6,863	6,720	6,643	6,844	-	-
Inventory	4,180	4,666	4,779	4,242	5,326	-	-
Other	347	296	361	311	436	-	-
Current Assets	15,253	15,202	15,436	15,304	16,607	-	-
Tangible Assets	8,027	9,231	9,034	8,518	8,304	-	-
Intangible Assets	1,514	1,275	1,046	792	633	-	-
Investments and Other Assets	2,462	2,548	2,613	3,093	3,465	-	-
Fixed Assets	12,004	13,054	12,693	12,403	12,401	-	-
Total Assets	27,257	28,256	28,129	27,707	29,008	-	-
Accounts Payables	4,239	4,527	4,072	3,975	4,308	-	-
Short Term Debt	1,769	2,173	2,341	2,544	560	-	-
Other	1,786	2,403	1,650	1,602	2,392	-	-
Current Liabilities	7,794	9,103	8,063	8,121	7,260	-	-
Long Term Debt	1,329	775	1,244	775	350	-	-
Other	795	603	612	649	847	-	-
Fixed Liabilities	2,124	1,378	1,856	1,424	1,197	-	-
Total Liabilities	9,918	10,480	9,919	9,545	8,457	-	-
Shareholders' Equity	14,804	15,626	15,939	15,836	17,227	-	-
Other	2,535	2,149	2,270	2,327	3,324	-	-
Net Assets	17,339	17,775	18,209	18,163	20,551	-	-
Total Liabilities & Net Assets	27,257	28,256	28,129	27,707	29,008	-	-
Equity Capital	15,328	15,704	15,931	15,899	17,962	-	-
Interest Bearing Debt	3,098	2,948	3,585	3,319	910	-	-
Net Debt	(617)	(429)	9	(789)	(3,091)	-	-
Equity Ratio	56.2%	55.6%	56.6%	57.4%	61.9%	-	-
Net Debt Equity Ratio	(4.0%)	(2.7%)	0.1%	(5.0%)	(17.2%)	-	-
ROE (12 months)	11.1%	9.2%	4.9%	3.3%	10.7%	-	-
ROA (12 months)	9.9%	7.9%	5.6%	3.7%	7.1%	-	-
Days for Inventory Turnover	82	87	95	93	104	-	-
Quick Ratio	138%	112%	128%	132%	149%	-	-
Current Ratio	196%	167%	191%	188%	229%	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 02/2018	FY 02/2019	FY 02/2020	FY 02/2021	FY 02/2022	FY 02/2023	YoY Net Chg.
Operating Cash Flow	2,376	2,599	1,771	2,088	2,333	-	-
Investing Cash Flow	(1,138)	(2,060)	(1,589)	(660)	603	-	-
Operating Cash Flow and Investing Cash Flow	1,238	539	182	1,428	2,936	-	-
Financing Cash Flow	(346)	(949)	78	(1,019)	(2,937)	-	-

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
	02/2018	02/2019	02/2020	02/2021	02/2022	02/2023	Net Chg.
No. of Shares FY End (thousand shares)	9,676	9,697	9,697	9,697	9,697	-	-
Net Profit / EPS (thousand shares)	9,674	9,661	9,591	9,577	9,380	-	-
Treasury Shares FY End (thousand shares)	1	105	98	321	317	-	-
Earnings Per Share	167.77	148.85	80.91	54.09	192.76	140.02	-
Earnings Per Share (Fully Diluted)	-	-	-	-	-	-	-
Book Value Per Share	1,584.28	1,637.29	1,659.74	1,695.81	1,914.94	-	-
Dividend Per Share	45.00	50.00	50.00	40.00	40.00	40.00	-
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
	02/2018	02/2019	02/2020	02/2021	02/2022	02/2023	Net Chg.
Share Split Factor	1	1	1	1	1	1	-
Earnings Per Share	167.77	148.85	80.91	54.09	192.76	140.02	-
Book Value Per Share	1,584.28	1,637.29	1,659.74	1,695.81	1,914.94	-	-
Dividend Per Share	45.00	50.00	50.00	40.00	40.00	40.00	-
Payout Ratio	26.8%	33.6%	61.8%	74.0%	20.8%	28.6%	-

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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