

## MORESCO (5018)

Consolidated Fiscal Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY02/2022		27,300	1,434	2,011	1,808	192.76	40.00	1,914.94
FY02/2023		30,333	523	1,046	615	66.19	40.00	2,008.49
FY02/2024CoE		34,500	1,400	1,600	700	75.83	45.00	-
FY02/2023	YoY	11.1%	(63.5%)	(48.0%)	(66.0%)	-	-	-
FY02/2024CoE	YoY	13.7%	167.7%	53.0%	13.9%	-	-	-
Consolidated Quarter (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 FY02/2023		7,050	201	471	317	-	-	-
Q2 FY02/2023		7,473	94	375	187	-	-	-
Q3 FY02/2023		7,956	216	298	215	-	-	-
Q4 FY02/2023		7,854	12	(98)	(104)	-	-	-
Q1 FY02/2024		7,596	257	395	224	-	-	-
Q1 FY02/2024	YoY	7.7%	28.0%	(16.1%)	(29.5%)	-	-	-

Source: Company Data, WRJ Calculation

### 1.0 Executive Summary (5 September 2023)

#### A Recovery of Gross Profit Margin


MORESCO, running operations of R&D, manufacture and sale of chemical goods used in diverse applications with autos as the mainstay, saw a recovery of gross profit margin for Q1 FY02/2024, while aiming to achieve a further recovery for Q2 and thereafter. The Company's gross profit margin has been on a continuous decline for the past two years due mainly to persistently higher raw material procurement costs, but now a major trend reversal is likely to take place as raw material procurement costs have begun to stabilize. Meanwhile, the Company suggests that sales volume is to increase for Q2 and thereafter, driven by a recovery in auto production volume. In Japan, the mainstay by region, the auto production volume has already shown a trend of recovery to date, but the Company says that its sales volume is rather stagnating as inventory adjustments have been occurring at auto parts manufacturers to which it directly supplies products. More importantly, however, once the effects of inventory adjustments have run their course, the Company says that its sales volume is to nicely increase. In Southeast / South Asia (Thailand, Indonesia and India), where the recovery in auto production volume is most pronounced, the Company has begun to see a short-term improvement in earnings with this as one of the reasons, having contributed to a recovery in the Company's earnings. Also, in Japan, the mainstay by region, it appears that the same trend is likely to be seen.

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

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## 2.0 Company Profile

### Interface Science Specialist

<b>Company Name</b>	MORESCO Corporation <a href="#">Company Website</a> <a href="#">IR Information</a> <a href="#">Share Price (Japanese)</a> 
<b>Established</b>	27 October 1958
<b>Listing</b>	20 October 2023 (scheduled): Tokyo Stock Exchange Standard Market 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
<b>Capital</b>	¥2,118m (as of the end of May 2023)
<b>No. of Shares</b>	9,696,500 shares, including 468,970 treasury shares (as of the end of May 2023)
<b>Main Features</b>	<ul style="list-style-type: none"> <li>● Independent (non-keiretsu) manufacturer of chemical goods, some 43% exposed to autos by application in terms of sales</li> <li>● Specializing in “interface science” with exclusive exposure to niche markets</li> <li>● R&amp;D, manufacture and sale of chemical goods to fulfil the functionalities of lubrications, adhesives and surface protections</li> </ul>
<b>Segments</b>	I . Japan II . China III. Southeast / South Asia 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%, MORESCO Employee Stock Ownership Plan 4.4%, Master Trust Bank of Japan, T. 4.2% (as of the end of February 2023, but for treasury shares)
<b>Head Office</b>	Kobe-city, Hyogo-prefecture, JAPAN
<b>No. of Personnel</b>	Consolidated: 784, Parent: 381 (as of the end of February 2023)

Source: Company Data

## 3.0 Management Vision and Business Model

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

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

#### Head Office & R&D Center

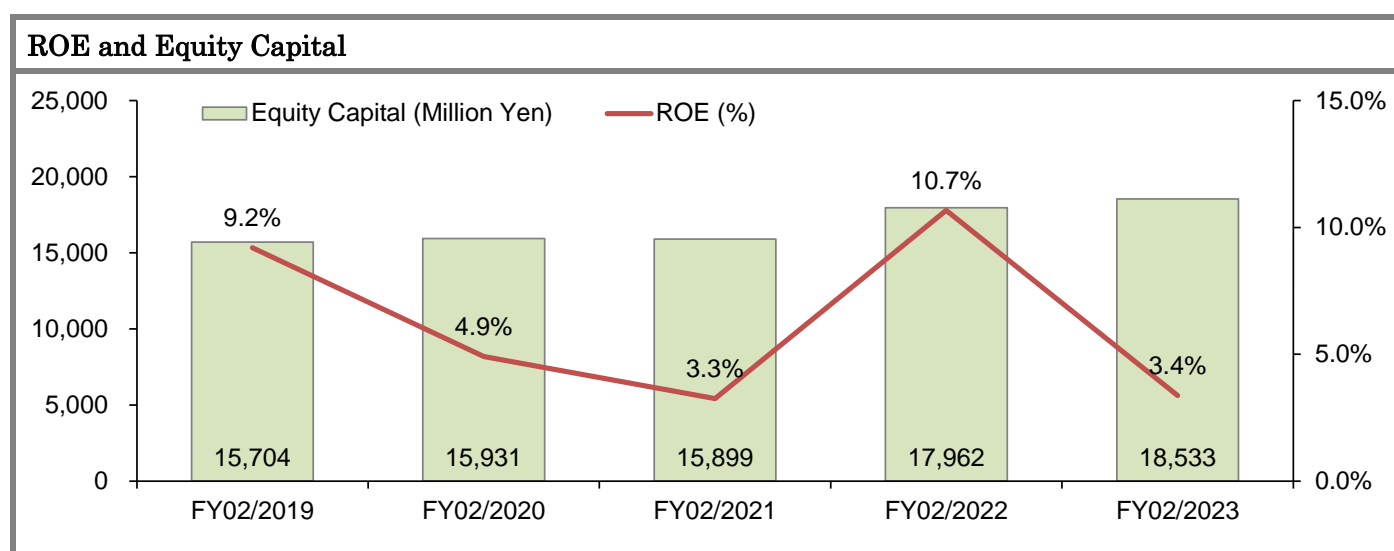


Source: Company Data

Meanwhile, on 11 November 2022, the Company expressed its support for recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD was established by the Financial Stability Board (FSB) in December 2015 at the request of G20 Finance Ministers and Central Bank Governors' Meeting in order to consider climate-related disclosures and financial institutions' responses to climate change. A series of discussions had been made with the aim of developing recommendations to promote efficient disclosures, which are consistent, comparable, dependable and clear, to facilitate appropriate investment decisions regarding climate change factors, having had resulted in the publication of the recommendations in June 2017.

The Company considers the impact of climate change on own operations and that of development of own operations on climate change as one of the most important management issues and is promoting sustainability-oriented activities to achieve both the realization of a sustainable society through development of own operations and the enhancement of own corporate value from a long-term perspective. On the occasion of its endorsement of the TCFD recommendations, by the way, the Company has provided a detailed description and scenario analysis for the impact of climate change on own operations and that of own operations on climate change in the four dimensions, comprising a) Governance, b) Strategy, c) Risk Management and d) Metrics and Targets ([URL](#)), while revealing its data on ESG with this at the same time.

On the other hand, the Company has bought back own shares on 14 July 2022 with an objective of “executing flexible capital policy to respond to changes in business environment”, i.e., 162,000 in the number equating 1.72% of the number of shares outstanding but for treasury shares and/or ¥194m in value terms, taking advantage of off-floor trading scheme of own shares based on the Tokyo Stock Exchange Trading Network System (ToSTNet-3). Looking forward, it appears that the Company may implement a share buyback program with an objective of raising ROE.



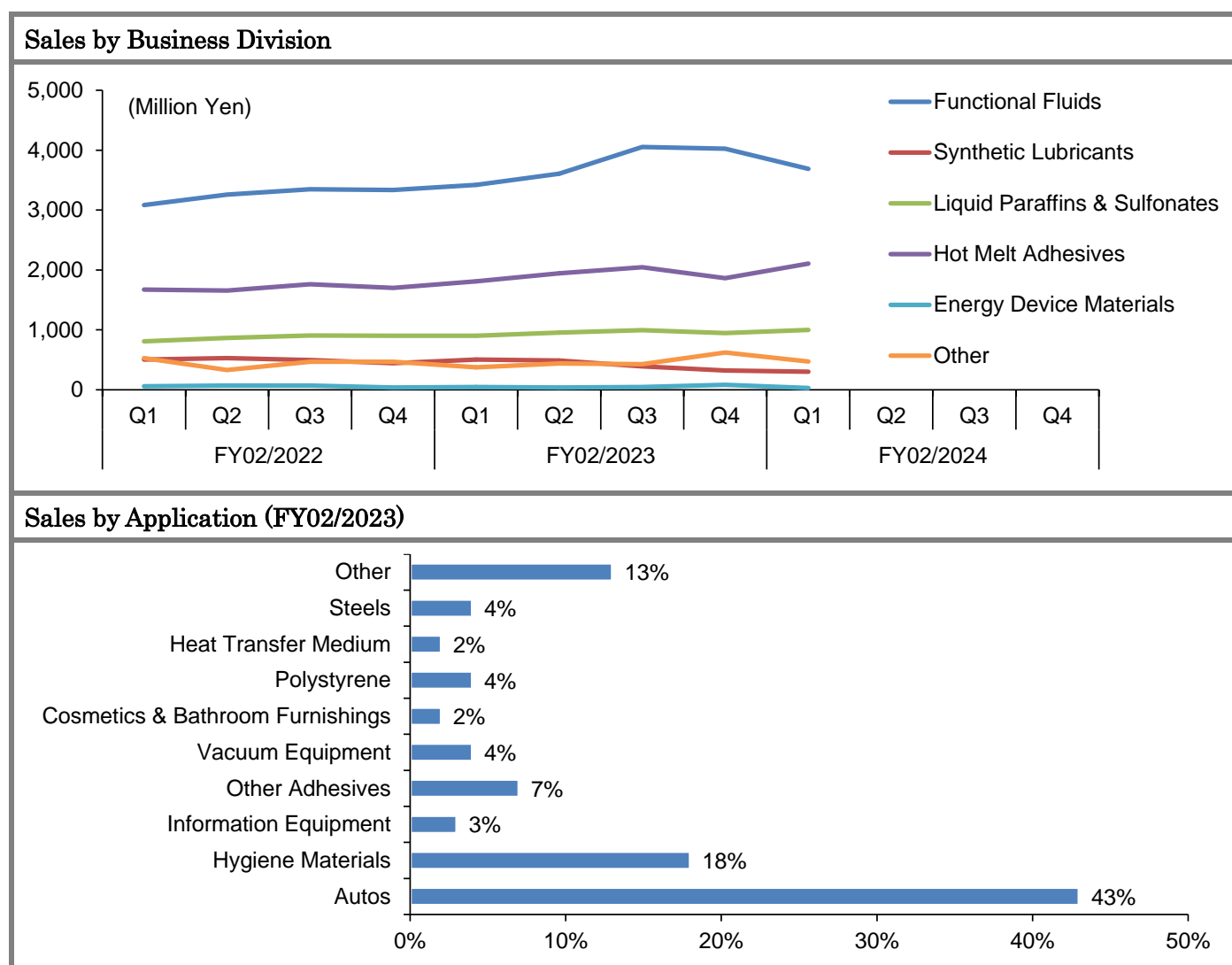
Source: Company Data

### Application of Adoption for Standard Market

On 1 March 2023, the Company newly established IR department under the CFO in order to conduct more proactive IR activities than before. Meanwhile, on 12 May 2023, the Company disclosed its policy on the human rights due diligence, while planning to do so also on human capital management in the near future. On top of this, it appears that the Company is to suggest its growth potential from a long-term perspective by means of launching a new midterm management plan, towards the end of FY02/2024, to succeed the existing MORESCO 9th Midterm Management Plan (FY02/2022 to FY02/2024). By the way, for FY02/2025, the Company plans to reveal its policy on Task Force on Nature-related Financial Disclosures (TNFD) as well as preparing integrated report (in Japanese and English). Together with all those measures, the Company aims to consistently fulfill continued listing criteria of Prime Market. Nevertheless, on 22 May 2023, it was announced that the Company has once implemented application of adoption for Standard Market due to a short-term uncertainty on the state of compliance associated with market capitalization of tradable shares and average daily trading value, scheduling to make a listing change to Standard Market on 20 October 2023.

### Overwhelming Shares in Niche Markets Small in Size

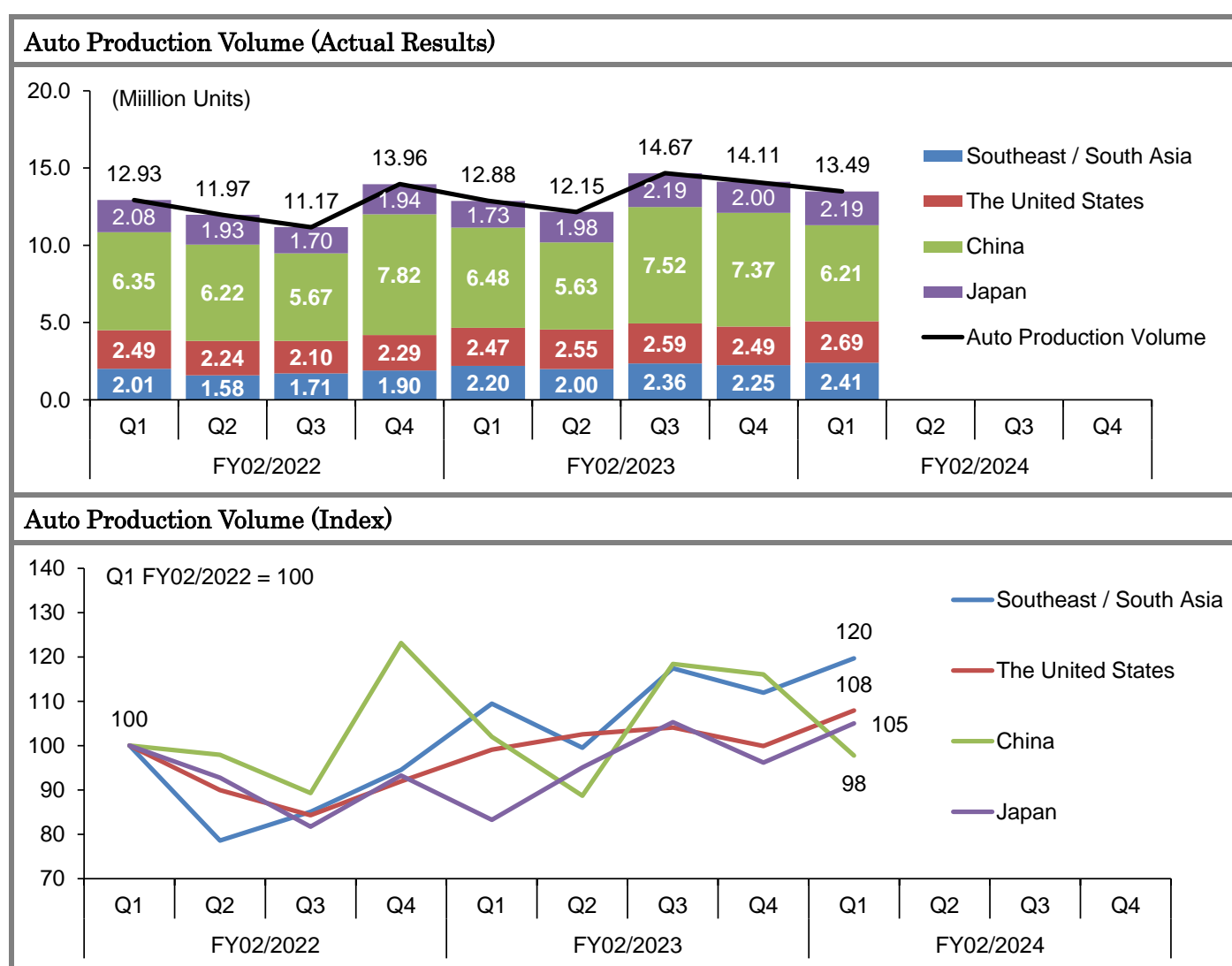
The Company is running operations of R&D, manufacture and sale for chemical goods which are mainly characterized by a) being attributed to niche markets, b) being attributed to “interface science (to deal with contacts between things one another)” and c) being exposed to diverse applications with autos as the mainstay. In other words, the Company is not involved with products large in size as markets, where the largest manufacturers of chemical goods are the mainstay players, while trying to get at overwhelming shares (one and only) in niche markets with one-of-a-kind products, which has been achieved to more than a certain extent as far as we could gather. Meanwhile, for the areas of so-called “interface science,” chemical goods are required for the functionalities of lubrications, adhesives and surface protections, while the Company’s products have an aspect of being exclusively involved with operations associated with all those functionalities and this is the reason why the Company is regarded as Interface Science Specialist.



Source: Company Data, WRJ Calculation

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

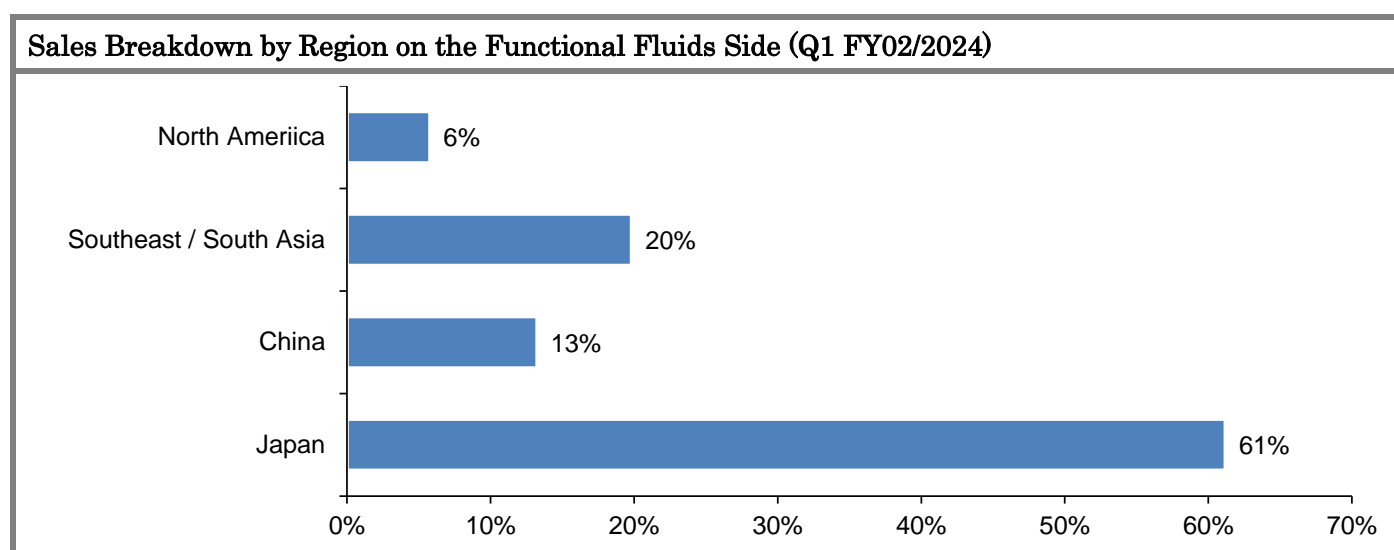
For FY02/2023, autos accounted for 43% of total in sales by application and the Company suggests that the bulk of sales here comprises those of products belonging to the Functional Fluids side (49.8% of sales) by business division, i.e., hydraulic fluids, die-casting fluids, cutting fluids and forging lubricants. For vacuum pump oils, also belonging to the Functional Fluids side, the Company states that there is an aspect of being exposed to diverse applications just like the Company's sales by application as a whole. For example, die-casting fluids, the mainstay on the Functional Fluids side, comprise die-casting lubricants and plunger lubricants, while 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 parts (with alloys made of non-ferrous metals, e.g., aluminum and/or magnesium, as materials) by die casting machines.



Source: Company Data, WRJ Calculation

For the actual results of Q1 FY02/2024, the auto production volume came in at 2.41m units (up 26% YoY) in Japan, 6.21m units (down 4%) in China, 2.41m units (up 9%) in Southeast / South Asia (Thailand, Indonesia and India) and 2.69m units (up 9%) in the United States. That is to say, the Company saw collective 13.49m units (up 5%) for the auto production volume in the locations where it runs operations. By the way, the source of the information here is data of MarkLines, reflecting the data during the said accounting period (March 2023 to May 2023) for Japan versus the local accounting period (January 2023 to March 2023) for overseas where the Company runs local operations through its local subsidiaries that have fiscal yearend of December. As a result, the above-mentioned auto production volume all corresponds to the Company's performance for the actual results of Q1.

When the actual results of Q1 FY02/2022 are converted to an index (=100), the index for Q1 FY02/2024 equates 105 for Japan, 98 for China, 120 for Southeast / South Asia (Thailand, Indonesia and India) and 108 for the United States. In other words, it is recognized that the largest recovery in auto production volume has been achieved in Southeast / South Asia (Thailand, Indonesia and India), while a trend of recovery in the United States and Japan. Meanwhile, it should be the case that there is a major adjustment in the process of recovery in China most recently.

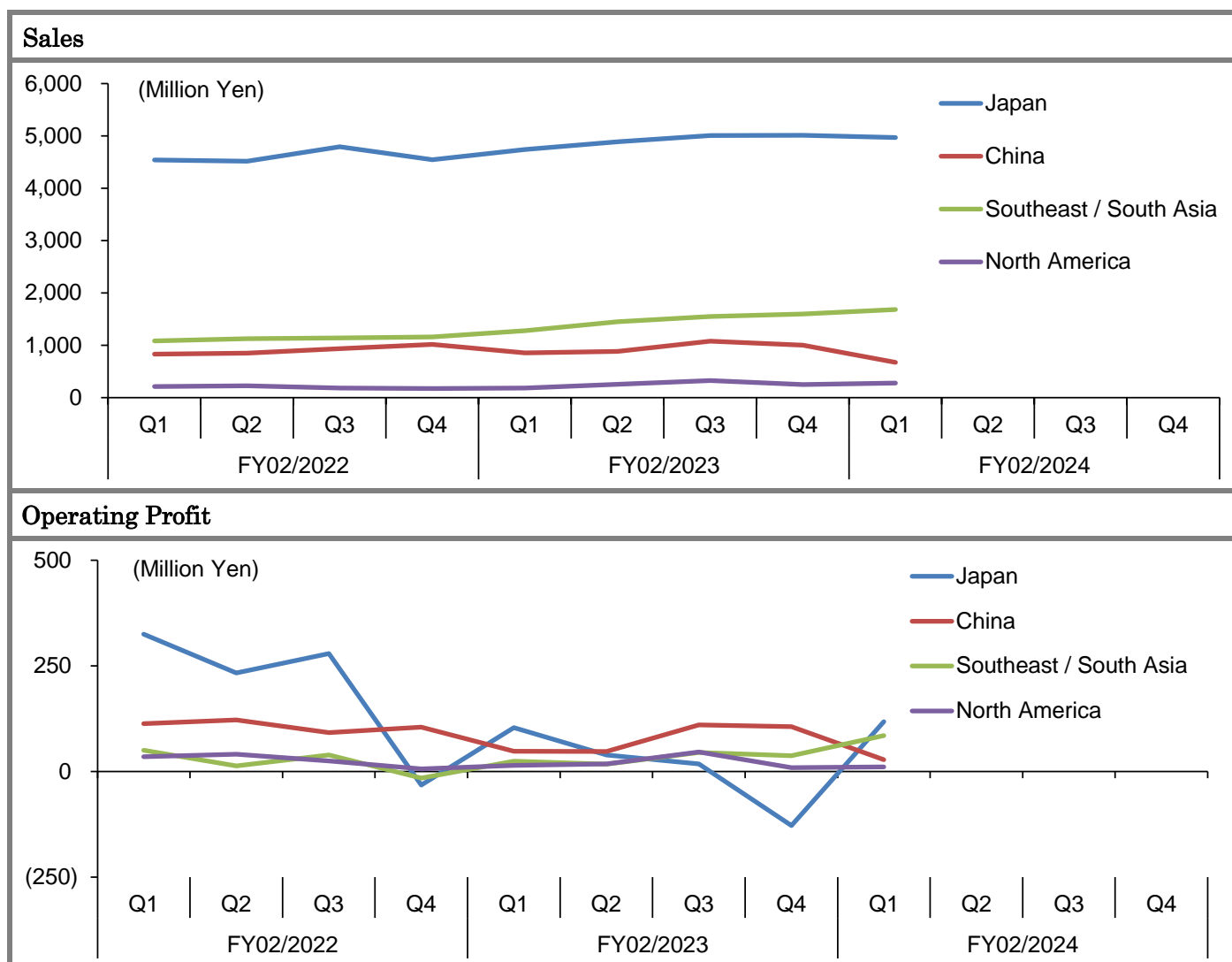


Source: Company Data, WRJ Calculation

For the actual results of Q1 FY02/2024, sales volume on the Functional Fluids side has declined by 7.3% over the same period of the previous year, according to the Company. At the same time, sales volume on the Hot Melt Adhesives side increased by 9.2%, while sales volume on the Liquid Paraffins & Sulfonates side has declined by 12.2% and sales volume on the Synthetic Lubricants side has declined by 27.6%, implying that the Company's sales volume as a whole has inevitably declined over the same period of the previous year. More importantly, however, the Company saw sales of ¥7,596m (up 7.7% YoY) as selling price hikes aimed at passing on higher raw material procurement costs have had an impact rather greater.

In Japan, the mainstay by region, there was a trend of recovery in auto production volume, but the Company's sales volume associated with autos by application has been stagnating and thus the Company's sales volume as a whole to a large extent, as far as we could gather. For example, sales in Japan on the mainstay Function Fluids side, where sales associated with application of autos are concentrated, have accounted for 61% of total on this side, while it appears that sales volume in Japan has declined more significantly than sales volume on the Function Fluids side as a whole.

The Company has suffered from a situation in Japan that auto parts manufacturers to which it directly supplies products were experiencing inventory adjustments and this had a significant impact. More importantly, the Company suggests that its sales volume is to see an increase once the effects of all those inventory adjustments run their course. In Southeast / South Asia (Thailand, Indonesia and India), where the recovery in auto production volume has been most pronounced, short-term earnings have begun improving with recovery of local auto production volume as a reason, which created a major contribution to the Company's earnings. In Japan, the mainstay by region, the Company is looking to a trend of performance like this to take place after a certain period of time lag. By the way, the Company saw operating profit in Japan having surged on a quarter-on-quarter basis for Q1 FY02/2024, which was mainly attributable to recording of sales for a large-scale project of wastewater treatment equipment.



Source: Company Data, WRJ Calculation

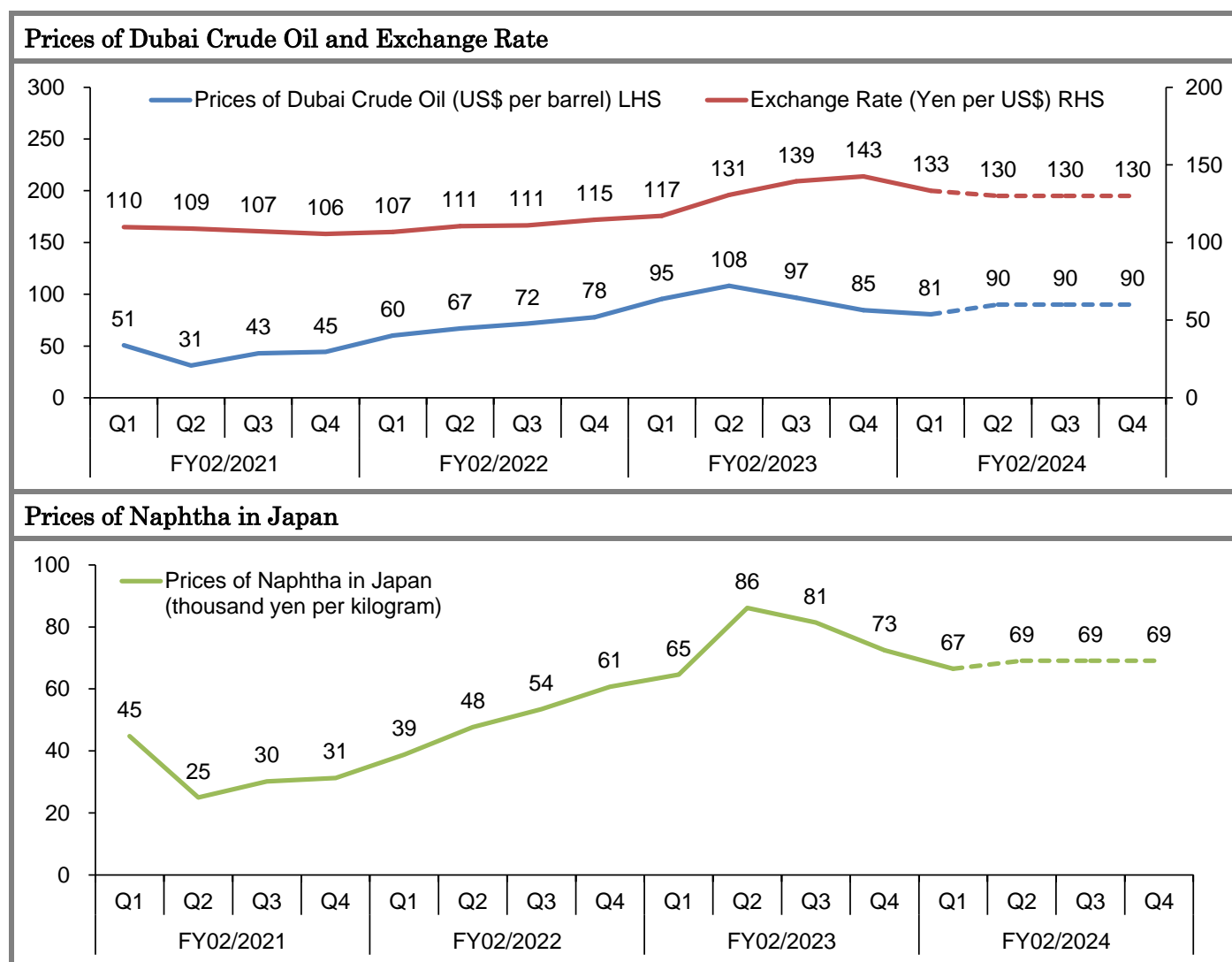


Given the clear trend towards major changes in the automotive market from a long-term perspective, the Company is now focusing on the development of new products for “new energy vehicles,” which is defined by the Chinese government, comprising electric vehicles (EVs), plug-in hybrid vehicles (PHVs) and fuel cell vehicles (FCVs). Meanwhile, the Company has revealed its intentions to develop new products for lightweight auto parts in China, which is expected to be a country to drive the market for new energy vehicles, for the sake of expanding its business globally. According to the Company, while strengthening its local development system, it will also deepen cooperation with development in Japan, which plays a central role in the development of new products for the Company as a whole.

Based on statistical data from the China Automobile Manufacturers Association, the Company is going for prospective sales volume of autos in China equating 27.60m units for CY2023, no more than up 2.8% from 26.86m units for CY2022, while going for 9.00m units, up 30.6% from 6.89m units, respectively, as far as new energy vehicles are concerned. Meanwhile, Worldwide Market Long-Term Outlook by Fuji Keizai suggests that the market (in terms of sales volume) for new energy vehicles is to see a CAGR of some 15% from a long-term perspective. In light of this, the Company has assigned executive officers in each area of operations overseas, i.e., China, North America, Southeast / South Asia (Thailand, Indonesia and India) to respond quickly to local customer needs, which is expected to lead to strengthening of the system for global expansion.

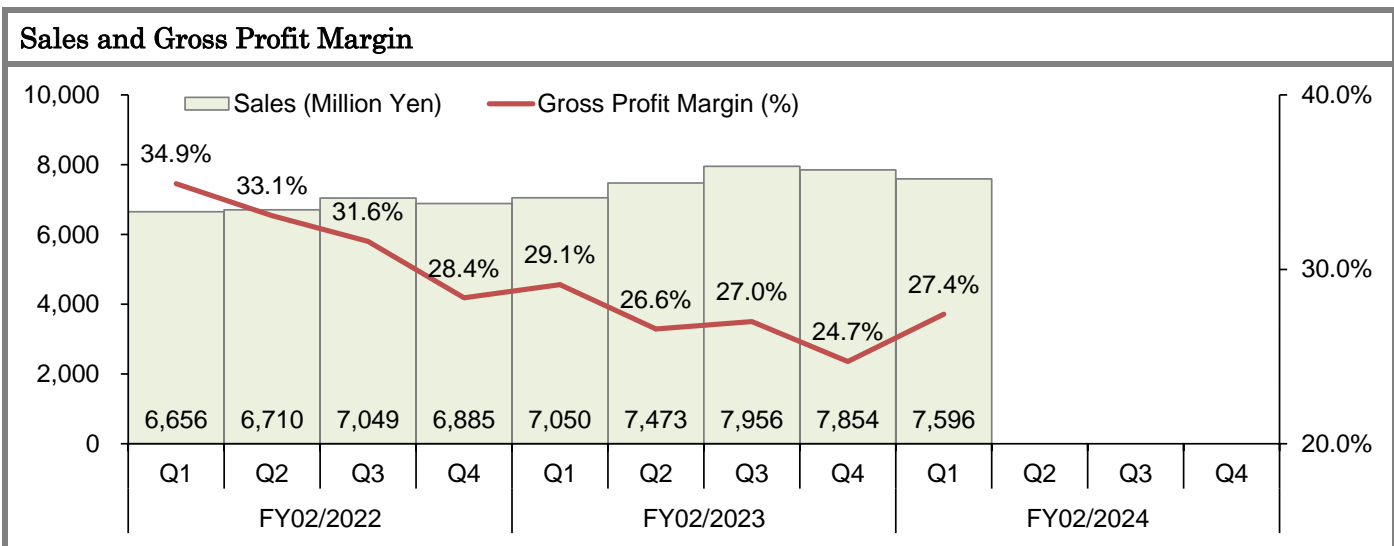
## Business Environment (b): Raw Material Procurement Costs

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



Source: Company Data, WRJ Calculation

FY02/2024 Company forecasts assume prices of Dubai crude oil price at US\$90 per barrel, exchange rate at ¥130 per US\$ and prices of naphtha in Japan at ¥69 thousand per kilogram. Prices of naphtha in Japan had surged from Q2 FY02/2021 to Q2 FY02/2023, having had risen by some 3.4 times, while having begun declining since Q3 FY02/2023. Now, for FY02/2024, the Company is going for a continuous stability in the prices after having had experienced a phase of surge. By the way, for the actual results of Q1, the prices have declined more than the assumption of Company forecasts, which is attributable to prices of Dubai crude oil lower than the assumption more than offsetting exchange rate rather weaker for Yen.



Source: Company Data, WRJ Calculation

The Company has introduced a formula to pass all those changes in raw material procurement costs onto the selling prices of its products and it observes that this has been working roughly in line with expectations in reality. However, this formula is only in place for some 50% of raw materials the Company procures and it requires a certain time lag for adjustments of selling prices based on this formula to be fully reflected in both sales and earnings. In particular, it requires an extended time lag for earnings during a period when the Company suffers from consistent rise in raw material procurement costs. At a stage when selling prices have risen as a result of increased raw material procurement costs after a certain time lag (at a stage when sales have been adjusted), the Company sees a further increase in raw material procurement costs, so often generating a negative impact to time-oriented changes of the Company's gross profit margin, according to the Company. By the way, the same is true for the trend of the remaining 50% or so of raw materials the Company procures. Given that the above-mentioned formula has not been introduced, it will take a longer time to pass on higher raw material procurement costs to selling prices of own products.

The Company's gross profit margin has been on a continuous decline for the past two years, but now a major trend reversal is likely to take place. In the changes of exchange rate (Yen per US\$) for Q1, a trend of yen's depreciation has been halted, while prices of Dubai crude oil (US\$ per barrel) and prices of naphtha in Japan (thousand yen per kilogram) have continued to decline since the peak of Q2 FY02/2023. As a result, the impact of the above-mentioned time lag has been reduced considerably for the actual results of Q1 FY02/2024, having led to a recovery in gross profit margin. As mentioned earlier, there was an impact from recording sales for a large-scale project of wastewater treatment equipment in Japan during the period under review, but the Company has noted that there was a trend of recovery in gross profit margin, even when excluding the said impact, implying an improvement by 2.5% for Q1 FY02/2024 from Q4 FY02/2023 with its preliminary calculation. Meanwhile, when the impact of recording sales for a large-scale project of wastewater treatment equipment is included or simply based on data on the income statement, the Company saw gross profit margin of 27.4%, up 2.7% points from 24.7%.

## Company History (extract)

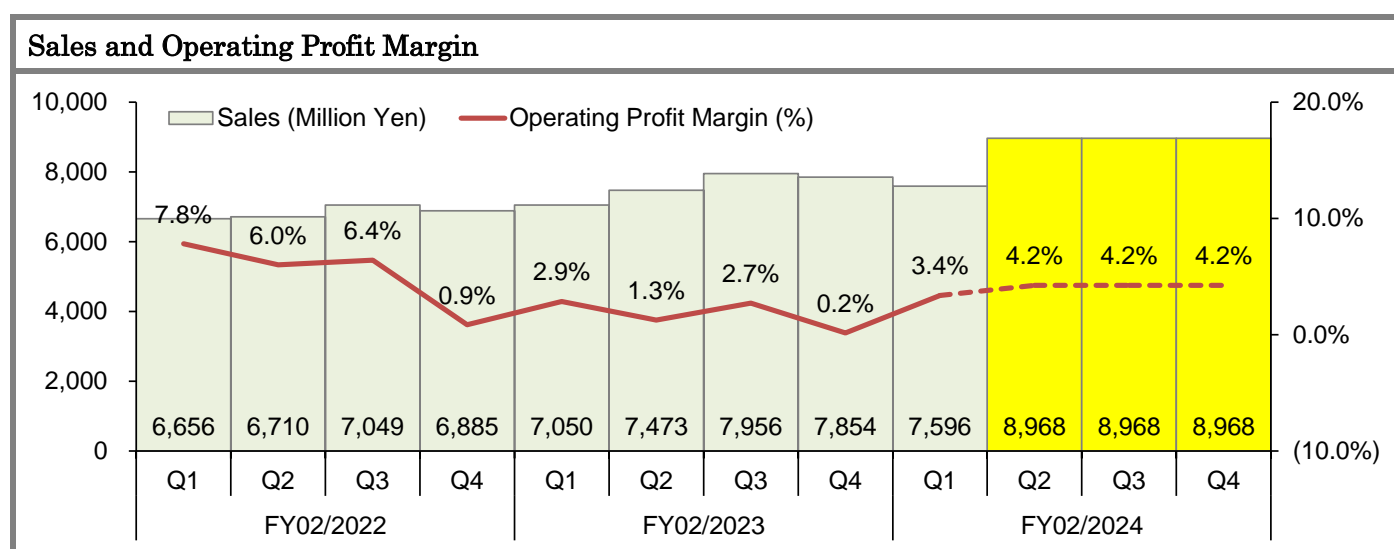
Date	Events
October 1958	Founded by spinoff of laboratory in MATSUMURA OIL CO., LTD.
December 1959	Nishinomiya head office and factory, constructed to productize functional fluids (e.g., vacuum pump oils) and synthetic lubricants
March 1962	Productized water-glycol fireproof fluids
December 1965	Chiba 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-city
March 2001	Wuxi MoreTex Technology Co., Ltd. (joint company with a company based in Taiwan), established in Wuxi, China
November 2001	MORESCO Honmachi Building, constructed in Chuo-ku, Osaka-city to relocate Osaka branch
March 2001	Phase three construction in Akoh factory, completed to relocate facilities represented by those of distilling lubricants from Nishinomiya factory
February 2003	MORESCO Holding (Thailand) Co., Ltd., established in Chonburi, Thailand.
November 2003	Shares registered on the over-the-counter market of Japan Securities Dealers Association (JDSA)
December 2004	Shares listed on JASDAQ market, making a cancellation for the JDSA registration
May 2006	MORESCO USA Inc., established in Michigan, United States
July 2008	Shares listed on Tokyo Stock Exchange 2nd section
May 2009	WUXI MORESCO TRADING CO., LTD., established in Wuxi, China
August 2009	Acquired business related to die-casting lubrications from Hanano Co., Ltd.
September 2009	Company name changed from MATSUMURA OIL RESERCH CORP. to MORESCO Corporation
February 2010	MORESCO HANANO DIE-CASTING COATING (SHANGHAI), consolidated as subsidiary
February 2011	Shares listed on Tokyo Stock Exchange 1st section
June 2011	PT. MORESCO INDONESIA, established in Karawang, Indonesia
January 2012	PT. MORESCO MACRO ADHESIVE, established in Jakarta, Indonesia
August 2013	Acquired business related to die-casting fluids and forging lubricants from NICCA CHEMICAL CO., LTD.
March 2014	TIANJIN MORESCO TECHNOLOGY CO., LTD., established in Tianjin, China
February 2017	MORESCO HM&LUB INDIA PRIVATE LIMITED, established in India
April 2021	Sale of MORESCO Honmachi Building
March 2022	MORESCO (ZHEJIANG) FUNCTION MATERIAL CO., LTD., established in Haining, China
April 2022	Listing of shares, transitioned to Tokyo Stock Exchange Prime Market

## 4.0 Recent Trading and Prospects

### Q1 FY02/2024

For Q1 FY02/2024, sales came in at ¥7,596m (up 7.7% YoY), operating profit ¥257m (up 28.0%), recurring profit ¥395m (down 16.1%) and profit attributable to owners of parent ¥224m (down 29.5%). At the non-operating level, there was a net decrease of ¥140m (from ¥210m to ¥70m) in currency gain compared to the same period of the previous year, having resulted in a decline for recurring profit.

Meanwhile, gross profit came in at ¥2,083m (up 1.5%) and SG&A expenses ¥1,826m (down 1.4%), implying gross profit margin of 27.4% (down 1.7% points) and SG&A ratio of 24.0% (down 2.2% points), having resulted in operating profit margin of 3.4% (up 0.5% points). In other words, the Company saw an increase in operating profit due to its successful measures to cut back on SG&A expenses, having more than compensated for gross profit margin still suffering from a deterioration on a year-on-year basis.



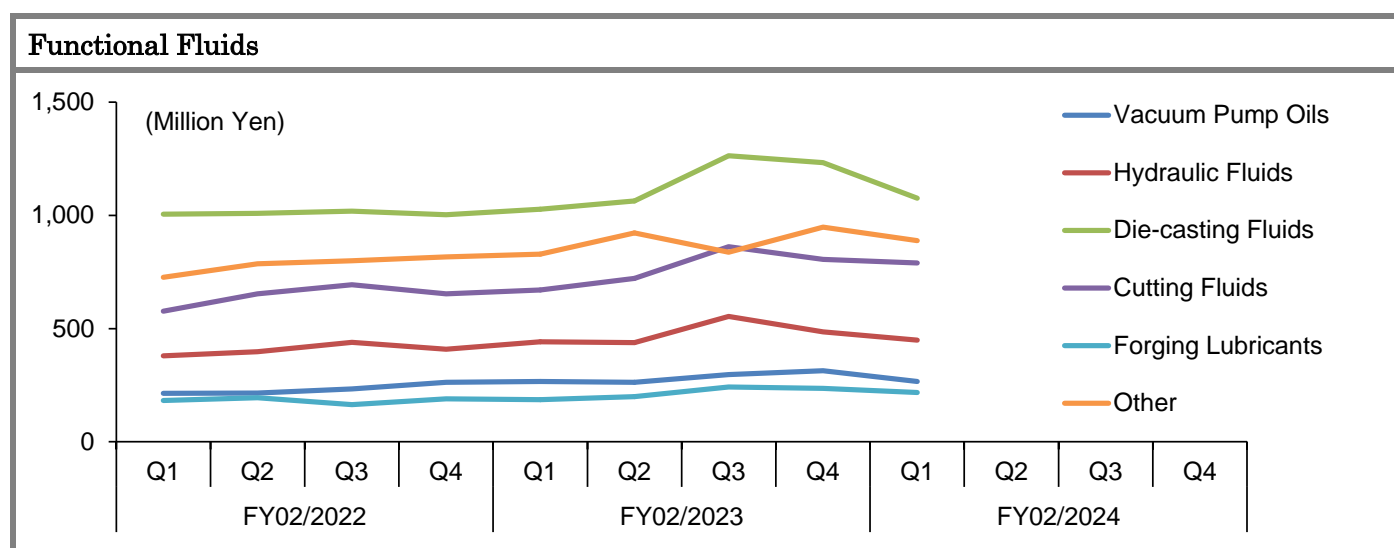
Source: Company Data, WRJ Calculation (Q2, Q3 and Q4 FY03/2024: full-year Company forecasts after subtracting the Q1 results, pro rata)

It is suggested that the Company's sales volume has failed to increase compared to the same period of the previous year. On top of that sales volume has declined in Japan, the mainstay by region, sales volume has also declined in China, according to the Company. Sales volume has increased in Southeast / South Asia (Thailand, Indonesia and India) and North America, but this was not enough to more than compensate for a decline in Japan and China.

In Japan, auto parts manufacturers to which the Company directly supplies products have been suffering from inventory adjustments, while, in China, a year-on-year decline in auto production volume has led to a decline in capacity utilization rates at local production facilities of Japanese auto parts manufacturers to which the Company directly supplies products. By the way, in Southeast / South Asia (Thailand, Indonesia and India), the Company has steadily captured increased demand as a result of increased local auto production volume, while having seen a surging sales volume of hot melt adhesives over the same period of the previous year at a time, that of hygiene materials (mainly for disposable diapers) in particular, due mainly to a favorable increase in the market share, according to the Company. As a result, the Company's operating profit has risen in line with an improved performance in Southeast / South Asia (Thailand, Indonesia and India).

### Functional Fluids (48.6% of sales)

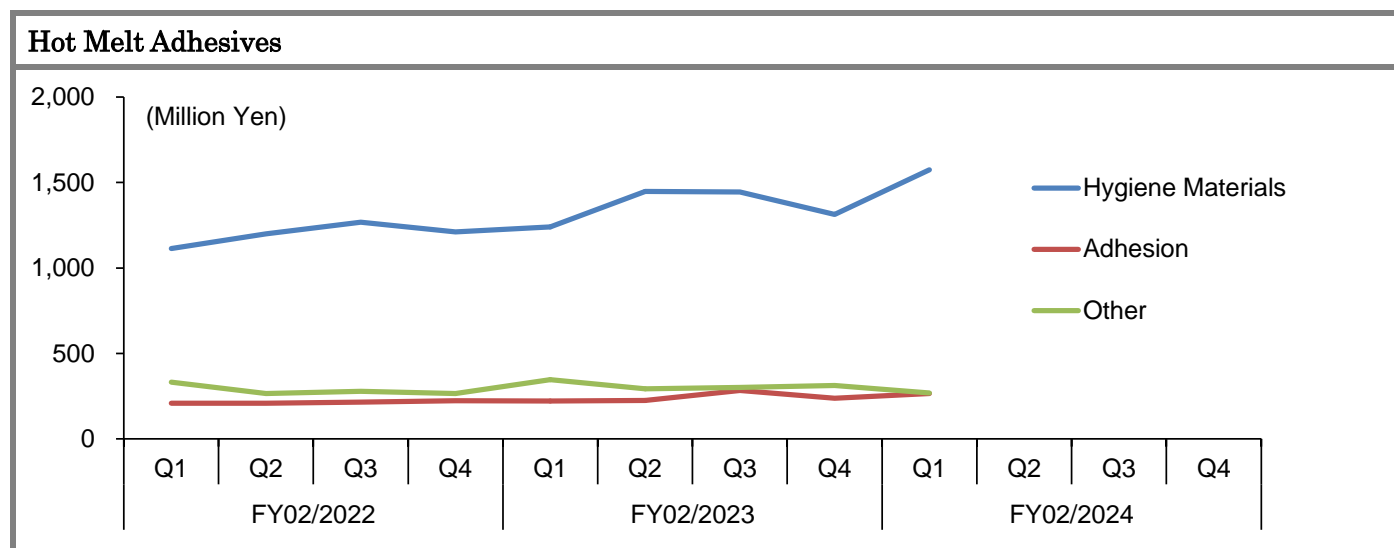
For Q1 FY02/2024, sales came in at ¥3,688m (up 7.8%), while Company forecasts are going for prospective sales of ¥17,200m (up 13.9%) for FY02/2024. By the way, for the actual results of Q1, sales volume declined by 7.3% over the same period of the previous year, according to the Company. On the Functional Fluids side, where sales associated with applications for autos are concentrated, it appears that there is an aspect that sales volume has declined due mainly to that of Japan and China on the back of the above-mentioned factors.



Source: Company Data

### Hot Melt Adhesives (27.8% of sales)

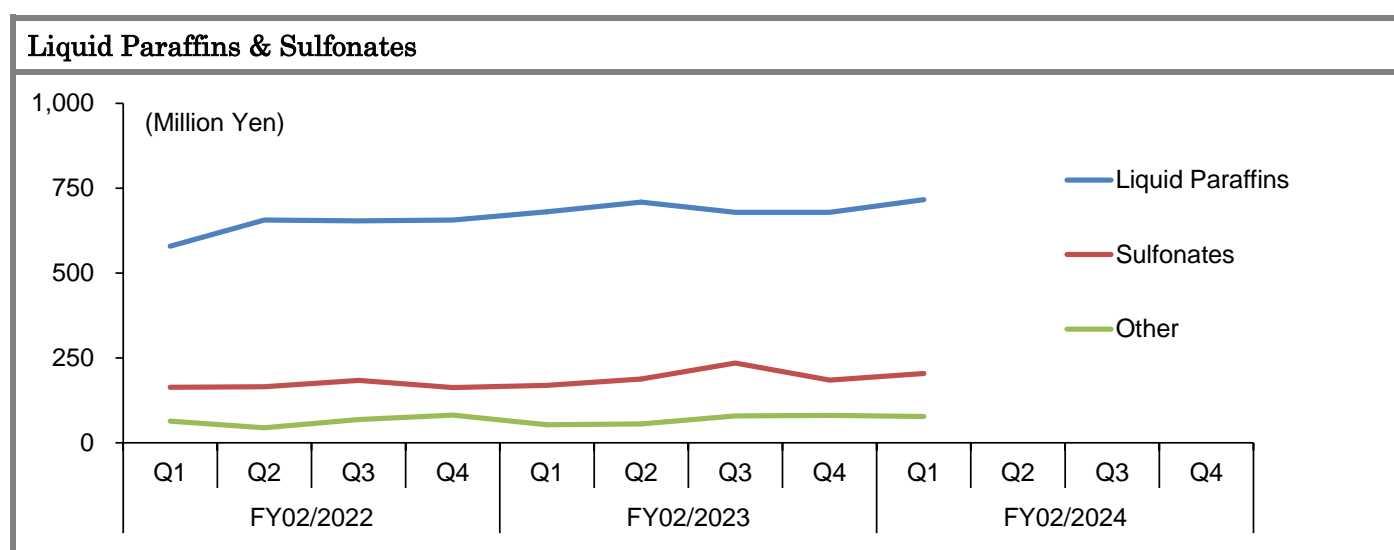
For Q1 FY02/2024, sales came in at ¥2,108m (up 16.6%), while Company forecasts are going for prospective sales of ¥8,600m (up 12.2%) for FY02/2024. By the way, for the actual results of Q1, sales volume increased by 9.2% over the same period of the previous year. On the Hot Melt Adhesives side, the Company has a high exposure to hygiene materials (mainly for disposable diapers) in sales and it appears that there is an aspect that sales volume has picked up nicely due to the above-mentioned factors.



Source: Company Data

### Liquid Paraffins & Sulfonates (13.1% of sales)

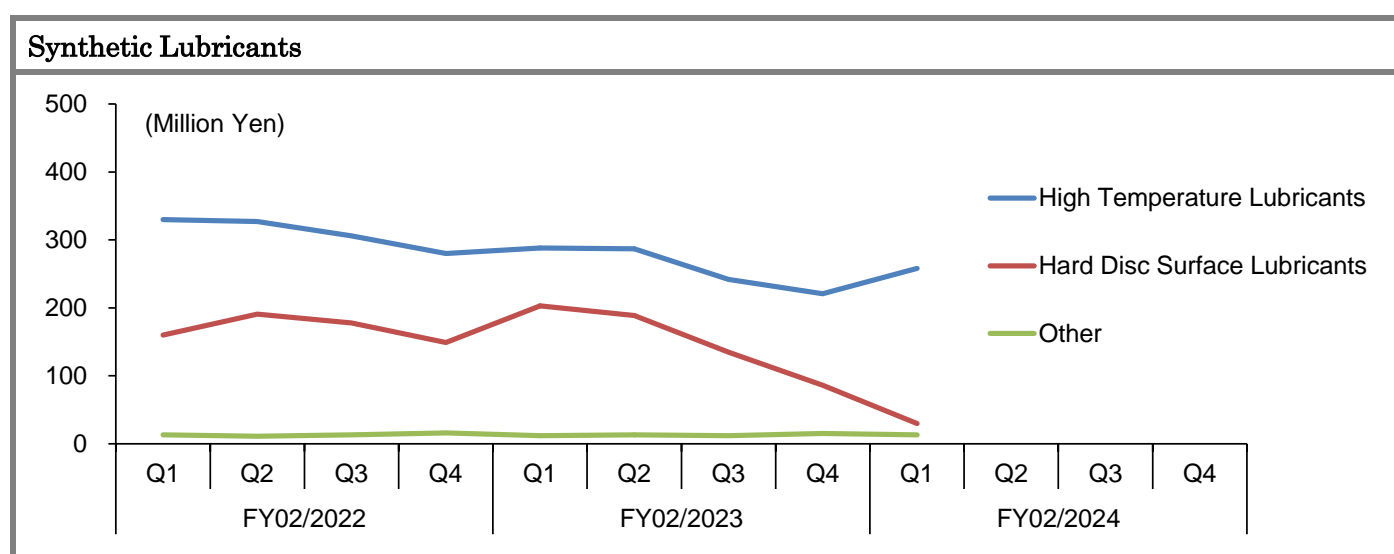
For Q1 FY02/2024, sales came in at ¥998m (up 10.6%), while Company forecasts are going for prospective sales of ¥4,400m (up 16.0%) for FY02/2024. By the way, for the actual results of Q1, sales volume declined by 12.2% over the same period of the previous year on the Liquid Paraffins & Sulfonates side, according to the Company. It appears this has a lot to do with a decline in sales volume of liquid paraffins, which account for majority of sales on this side. One of the reasons cited as the background for the decline is sluggish demand for products used in its mainstay applications of polystyrene plasticizers. i.e., additives used in food tray manufacturing, etc.



Source: Company Data

### Synthetic Lubricants (4.0% of sales)

For Q1 FY02/2024, sales came in at ¥301m (down 40.0%), while Company forecasts are going for prospective sales of ¥1,730m (up 1.6%) for FY02/2024. By the way, for the actual results of Q1, sales volume on the Synthetic Lubricants side declined by 27.6% over the same period of the previous year, according to the Company. The key reason cited is that sales volume of hard disc surface lubricants has plummeted, which is said to be attributable to a major decline in demand for HDDs due to a trend of cutting back on investments in data centers. The Company now suggests that the recovery of demand here is showing signs of taking a longer period of time than assumed earlier.



Source: Company Data

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

For Q1 FY02/2024, sales came in at ¥30m (down 31.9%), while Company forecasts are going for prospective sales of ¥350m (up 67.5%) for FY02/2024. According to the Company, sales of OLED encapsulants to China and Taiwan have declined, as have sales of related equipment. Compared to the Company's initial expectations, it appears that the Company's performance has been rather disappointing.

### Other (6.2% of sales)

For Q1 FY02/2024, sales came in at ¥470m (up 26.4%), while Company forecasts are going for prospective sales of ¥2,200m (up 19.4%) for FY02/2024. According to the Company, most of sales on the Other side are generated from development, manufacture and sale of wastewater treatment equipment and wastewater treatment chemicals (consumables), which are in charge of by MATSUKEN CO., LTD.(100% subsidiary). For the actual results of Q1, the Company has recorded sales for a large-scale project of wastewater treatment equipment in Japan, which contributed more than a certain level to the Company's performance.



## 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.
(Million Yen)	02/2023	02/2023	02/2023	02/2023	02/2024	02/2024	02/2024	02/2024	02/2024	Net Chg.
<b>Sales</b>	<b>7,050</b>	<b>14,523</b>	<b>22,479</b>	<b>30,333</b>	<b>7,596</b>	-	-	-	-	<b>+546</b>
Cost of Sales	4,997	10,484	16,291	22,204	5,513	-	-	-	-	+516
Gross Profit	2,053	4,039	6,188	8,129	2,083	-	-	-	-	+30
SG&A Expenses	1,852	3,744	5,677	7,606	1,826	-	-	-	-	(26)
<b>Operating Profit</b>	<b>201</b>	<b>295</b>	<b>511</b>	<b>523</b>	<b>257</b>	-	-	-	-	<b>+56</b>
Non-Operating Balance	270	551	633	523	138	-	-	-	-	(132)
<b>Recurring Profit</b>	<b>471</b>	<b>846</b>	<b>1,144</b>	<b>1,046</b>	<b>395</b>	-	-	-	-	<b>(76)</b>
Extraordinary Balance	-	-	-	-	-	-	-	-	-	-
Profit before Income Taxes	471	846	1,144	1,046	395	-	-	-	-	(76)
Total Income Taxes	116	286	347	320	125	-	-	-	-	+9
Profit Attributable to Non-Controlling Interests	38	56	78	112	47	-	-	-	-	+9
<b>Profit Attributable to Owners of Parent</b>	<b>317</b>	<b>504</b>	<b>719</b>	<b>615</b>	<b>224</b>	-	-	-	-	<b>(93)</b>
Sales YoY	+5.9%	+8.7%	+10.1%	+11.1%	+7.7%	-	-	-	-	-
Operating Profit YoY	(61.4%)	(68.0%)	(62.8%)	(63.5%)	+28.0%	-	-	-	-	-
Recurring Profit YoY	(34.7%)	(27.3%)	(34.0%)	(48.0%)	(16.1%)	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	(71.0%)	(62.9%)	(58.5%)	(66.0%)	(29.5%)	-	-	-	-	-
Gross Profit Margin	29.1%	27.8%	27.5%	26.8%	27.4%	-	-	-	-	(1.7%)
SG&A Ratio	26.3%	25.8%	25.3%	25.1%	24.0%	-	-	-	-	(2.2%)
Operating Profit Margin	2.9%	2.0%	2.3%	1.7%	3.4%	-	-	-	-	+0.5%
Recurring Profit Margin	6.7%	5.8%	5.1%	3.4%	5.2%	-	-	-	-	(1.5%)
Profit Attributable to Owners of Parent Margin	4.5%	3.5%	3.2%	2.0%	2.9%	-	-	-	-	(1.5%)
Total Income Taxes / Profit before Income Taxes	24.6%	33.8%	30.3%	30.6%	31.6%	-	-	-	-	+7.0%

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	Q4	Net Chg.
(Million Yen)	02/2023	02/2023	02/2023	02/2023	02/2024	02/2024	02/2024	02/2024	02/2024	Net Chg.
<b>Sales</b>	<b>7,050</b>	<b>7,473</b>	<b>7,956</b>	<b>7,854</b>	<b>7,596</b>	-	-	-	-	<b>+546</b>
Cost of Sales	4,997	5,487	5,807	5,913	5,513	-	-	-	-	+516
Gross Profit	2,053	1,986	2,149	1,941	2,083	-	-	-	-	+30
SG&A Expenses	1,852	1,892	1,933	1,929	1,826	-	-	-	-	(26)
<b>Operating Profit</b>	<b>201</b>	<b>94</b>	<b>216</b>	<b>12</b>	<b>257</b>	-	-	-	-	<b>+56</b>
Non-Operating Balance	270	281	82	(110)	138	-	-	-	-	(132)
<b>Recurring Profit</b>	<b>471</b>	<b>375</b>	<b>298</b>	<b>(98)</b>	<b>395</b>	-	-	-	-	<b>(76)</b>
Extraordinary Balance	-	-	-	-	-	-	-	-	-	-
Profit before Income Taxes	471	375	298	(98)	395	-	-	-	-	(76)
Total Income Taxes	116	170	61	(27)	125	-	-	-	-	+9
Profit Attributable to Non-Controlling Interests	38	18	22	34	47	-	-	-	-	+9
<b>Profit Attributable to Owners of Parent</b>	<b>317</b>	<b>187</b>	<b>215</b>	<b>(104)</b>	<b>224</b>	-	-	-	-	<b>(93)</b>
Sales YoY	+5.9%	+11.4%	+12.9%	+14.1%	+7.7%	-	-	-	-	-
Operating Profit YoY	(61.4%)	(76.7%)	(52.2%)	(79.7%)	+28.0%	-	-	-	-	-
Recurring Profit YoY	(34.7%)	(15.2%)	(47.6%)	-	(16.1%)	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	(71.0%)	(29.2%)	(42.0%)	-	(29.5%)	-	-	-	-	-
Gross Profit Margin	29.1%	26.6%	27.0%	24.7%	27.4%	-	-	-	-	(1.7%)
SG&A Ratio	26.3%	25.3%	24.3%	24.6%	24.0%	-	-	-	-	(2.2%)
Operating Profit Margin	2.9%	1.3%	2.7%	0.2%	3.4%	-	-	-	-	+0.5%
Recurring Profit Margin	6.7%	5.0%	3.7%	(1.2%)	5.2%	-	-	-	-	(1.5%)
Profit Attributable to Owners of Parent Margin	4.5%	2.5%	2.7%	(1.3%)	2.9%	-	-	-	-	(1.5%)
Total Income Taxes / Profit before Income Taxes	24.6%	45.3%	20.5%	27.6%	31.6%	-	-	-	-	+7.0%

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 02/2023	Q1 to Q2 02/2023	Q1 to Q3 02/2023	Q1 to Q4 02/2023	Q1 02/2024	Q1 to Q2 02/2024	Q1 to Q3 02/2024	Q1 to Q4 02/2024		
Japan	4,738	9,624	14,629	19,637	4,968	-	-	-	-	+230
China	854	1,737	2,813	3,814	670	-	-	-	-	(184)
Southeast / South Asia	1,276	2,726	4,274	5,870	1,679	-	-	-	-	+403
North America	182	436	762	1,011	278	-	-	-	-	+96
<b>Sales</b>	<b>7,050</b>	<b>14,523</b>	<b>22,479</b>	<b>30,333</b>	<b>7,596</b>	-	-	-	-	<b>+546</b>
Japan	104	143	161	33	118	-	-	-	-	+14
China	48	95	205	311	28	-	-	-	-	(20)
Southeast / South Asia	24	41	86	123	85	-	-	-	-	+61
North America	14	32	78	87	11	-	-	-	-	(3)
<b>Segment Profit</b>	<b>189</b>	<b>311</b>	<b>531</b>	<b>553</b>	<b>242</b>	-	-	-	-	<b>+53</b>
Adjustments	11	(16)	(20)	(30)	15	-	-	-	-	+4
<b>Operating Profit</b>	<b>201</b>	<b>295</b>	<b>511</b>	<b>523</b>	<b>257</b>	-	-	-	-	<b>+56</b>
Japan	2.2%	1.5%	1.1%	0.2%	2.4%	-	-	-	-	+0.2%
China	5.6%	5.5%	7.3%	8.2%	4.2%	-	-	-	-	(1.4%)
Southeast / South Asia	1.9%	1.5%	2.0%	2.1%	5.1%	-	-	-	-	+3.2%
North America	7.7%	7.3%	10.2%	8.6%	4.0%	-	-	-	-	(3.7%)
<b>Segment Profit Margin</b>	<b>2.7%</b>	<b>2.1%</b>	<b>2.4%</b>	<b>1.8%</b>	<b>3.2%</b>	-	-	-	-	<b>+0.5%</b>
Adjustments	0.2%	(0.1%)	(0.1%)	(0.1%)	0.2%	-	-	-	-	+0.0%
<b>Operating Profit Margin</b>	<b>2.9%</b>	<b>2.0%</b>	<b>2.3%</b>	<b>1.7%</b>	<b>3.4%</b>	-	-	-	-	<b>+0.5%</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 02/2023	Q2 02/2023	Q3 02/2023	Q4 02/2023	Q1 02/2024	Q2 02/2024	Q3 02/2024	Q4 02/2024		
Japan	4,738	4,886	5,005	5,008	4,968	-	-	-	-	+230
China	854	883	1,076	1,001	670	-	-	-	-	(184)
Southeast / South Asia	1,276	1,450	1,548	1,596	1,679	-	-	-	-	+403
North America	182	254	326	249	278	-	-	-	-	+96
<b>Sales</b>	<b>7,050</b>	<b>7,473</b>	<b>7,956</b>	<b>7,854</b>	<b>7,596</b>	-	-	-	-	<b>+546</b>
Japan	104	39	18	(128)	118	-	-	-	-	+14
China	48	47	110	106	28	-	-	-	-	(20)
Southeast / South Asia	24	17	45	37	85	-	-	-	-	+61
North America	14	18	46	9	11	-	-	-	-	(3)
<b>Segment Profit</b>	<b>189</b>	<b>122</b>	<b>220</b>	<b>22</b>	<b>242</b>	-	-	-	-	<b>+53</b>
Adjustments	11	(27)	(4)	(10)	15	-	-	-	-	+4
<b>Operating Profit</b>	<b>201</b>	<b>94</b>	<b>216</b>	<b>12</b>	<b>257</b>	-	-	-	-	<b>+56</b>
Japan	2.2%	0.8%	0.4%	(2.6%)	2.4%	-	-	-	-	+0.2%
China	5.6%	5.3%	10.2%	10.6%	4.2%	-	-	-	-	(1.4%)
Southeast / South Asia	1.9%	1.2%	2.9%	2.3%	5.1%	-	-	-	-	+3.2%
North America	7.7%	7.1%	14.1%	3.6%	4.0%	-	-	-	-	(3.7%)
<b>Segment Profit Margin</b>	<b>2.7%</b>	<b>1.6%</b>	<b>2.8%</b>	<b>0.3%</b>	<b>3.2%</b>	-	-	-	-	<b>+0.5%</b>
Adjustments	0.2%	(0.4%)	(0.1%)	(0.1%)	0.2%	-	-	-	-	+0.0%
<b>Operating Profit Margin</b>	<b>2.9%</b>	<b>1.3%</b>	<b>2.7%</b>	<b>0.2%</b>	<b>3.4%</b>	-	-	-	-	<b>+0.5%</b>

Source: Company Data, WRJ Calculation

## Sales by Business Division (Cumulative / Quarterly)

Sales by Business Division	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1 to Q4	Net Chg.
	02/2023	02/2023	02/2023	02/2023	02/2024	02/2024	02/2024	02/2024	02/2024	
Functional Fluids	3,420	7,027	11,081	15,105	3,688	-	-	-	-	+268
Synthetic Lubricants	502	991	1,381	1,703	301	-	-	-	-	(201)
Liquid Paraffins & Sulfonates	902	1,855	2,849	3,793	998	-	-	-	-	+96
Hot Melt Adhesives	1,809	3,754	5,801	7,664	2,108	-	-	-	-	+299
Energy Device Materials	45	84	128	209	30	-	-	-	-	(15)
Other	372	812	1,239	1,859	470	-	-	-	-	+98
<b>Sales</b>	<b>7,050</b>	<b>14,523</b>	<b>22,479</b>	<b>30,333</b>	<b>7,596</b>	-	-	-	-	<b>+546</b>
Functional Fluids	+10.9%	+10.8%	+14.4%	+16.0%	+7.8%	-	-	-	-	-
Synthetic Lubricants	(0.1%)	(4.1%)	(9.7%)	(13.7%)	(40.0%)	-	-	-	-	-
Liquid Paraffins & Sulfonates	+11.9%	+11.0%	+10.5%	+9.0%	+10.6%	-	-	-	-	-
Hot Melt Adhesives	+8.2%	+12.9%	+14.1%	+13.0%	+16.6%	-	-	-	-	-
Energy Device Materials	(21.3%)	(34.5%)	(35.1%)	(11.8%)	(31.9%)	-	-	-	-	-
Other	(29.5%)	(5.4%)	(6.7%)	+3.6%	+26.4%	-	-	-	-	-
<b>Sales (YoY)</b>	<b>+5.9%</b>	<b>+8.7%</b>	<b>+10.1%</b>	<b>+11.1%</b>	<b>+7.7%</b>	-	-	-	-	-
Functional Fluids	48.5%	48.4%	49.3%	49.8%	48.6%	-	-	-	-	-
Synthetic Lubricants	7.1%	6.8%	6.1%	5.6%	4.0%	-	-	-	-	-
Liquid Paraffins & Sulfonates	12.8%	12.8%	12.7%	12.5%	13.1%	-	-	-	-	-
Hot Melt Adhesives	25.7%	25.8%	25.8%	25.3%	27.8%	-	-	-	-	-
Energy Device Materials	0.6%	0.6%	0.6%	0.7%	0.4%	-	-	-	-	-
Other	5.3%	5.6%	5.5%	6.1%	6.2%	-	-	-	-	-
<b>Sales (Composition Ratio)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-	-	-	-	-
Sales by Business Division	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4	Net Chg.
	02/2023	02/2023	02/2023	02/2023	02/2024	02/2024	02/2024	02/2024	02/2024	
Functional Fluids	3,420	3,607	4,054	4,024	3,688	-	-	-	-	+268
Synthetic Lubricants	502	489	390	322	301	-	-	-	-	(201)
Liquid Paraffins & Sulfonates	902	953	994	944	998	-	-	-	-	+96
Hot Melt Adhesives	1,809	1,945	2,047	1,863	2,108	-	-	-	-	+299
Energy Device Materials	45	39	44	81	30	-	-	-	-	(15)
Other	372	440	427	620	470	-	-	-	-	+98
<b>Sales</b>	<b>7,050</b>	<b>7,473</b>	<b>7,956</b>	<b>7,854</b>	<b>7,596</b>	-	-	-	-	<b>+546</b>
Functional Fluids	+10.9%	+10.7%	+21.2%	+20.7%	+7.8%	-	-	-	-	-
Synthetic Lubricants	(0.1%)	(7.7%)	(21.4%)	(27.6%)	(40.0%)	-	-	-	-	-
Liquid Paraffins & Sulfonates	+11.9%	+10.2%	+9.6%	+4.8%	+10.6%	-	-	-	-	-
Hot Melt Adhesives	+8.2%	+17.6%	+16.2%	+9.7%	+16.6%	-	-	-	-	-
Energy Device Materials	(21.3%)	(45.1%)	(37.1%)	+107.7%	(31.9%)	-	-	-	-	-
Other	(29.5%)	+32.9%	(9.0%)	+33.0%	+26.4%	-	-	-	-	-
<b>Sales (YoY)</b>	<b>+5.9%</b>	<b>+11.4%</b>	<b>+12.9%</b>	<b>+14.1%</b>	<b>+7.7%</b>	-	-	-	-	-
Functional Fluids	48.5%	48.3%	51.0%	51.2%	48.6%	-	-	-	-	-
Synthetic Lubricants	7.1%	6.5%	4.9%	4.1%	4.0%	-	-	-	-	-
Liquid Paraffins & Sulfonates	12.8%	12.8%	12.5%	12.0%	13.1%	-	-	-	-	-
Hot Melt Adhesives	25.7%	26.0%	25.7%	23.7%	27.8%	-	-	-	-	-
Energy Device Materials	0.6%	0.5%	0.6%	1.0%	0.4%	-	-	-	-	-
Other	5.3%	5.9%	5.4%	7.9%	6.2%	-	-	-	-	-
<b>Sales (Composition Ratio)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-	-	-	-	-

Source: Company Data, WRJ Calculation

## Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 02/2023	Q2 02/2023	Q3 02/2023	Q4 02/2023	Q1 02/2024	Q2 02/2024	Q3 02/2024	Q4 02/2024		
Cash and Deposit	3,812	4,166	4,172	4,256	3,935	-	-	-	-	+123
Accounts Receivables	7,046	7,524	7,831	7,595	7,462	-	-	-	-	+416
Inventory	5,727	6,102	6,311	6,306	6,451	-	-	-	-	+724
Other	580	493	614	653	564	-	-	-	-	(16)
<b>Current Assets</b>	<b>17,165</b>	<b>18,285</b>	<b>18,928</b>	<b>18,810</b>	<b>18,412</b>	-	-	-	-	<b>+1,247</b>
Tangible Assets	8,330	8,395	8,537	8,610	8,666	-	-	-	-	+336
Intangible Assets	614	649	643	589	749	-	-	-	-	+135
Investments and Other Assets	3,583	3,764	3,820	4,002	4,068	-	-	-	-	+485
<b>Fixed Assets</b>	<b>12,527</b>	<b>12,808</b>	<b>13,001</b>	<b>13,202</b>	<b>13,483</b>	-	-	-	-	<b>+956</b>
<b>Deferred Assets</b>	-	-	-	6	18	-	-	-	-	<b>+18</b>
<b>Total Assets</b>	<b>29,691</b>	<b>31,092</b>	<b>31,929</b>	<b>32,017</b>	<b>31,913</b>	-	-	-	-	<b>+2,222</b>
Accounts Payables	4,419	4,926	5,173	5,144	4,828	-	-	-	-	+409
Short-Term Debt	857	1,546	1,549	2,381	2,145	-	-	-	-	+1,288
Other	2,052	1,611	2,245	2,074	1,787	-	-	-	-	(265)
<b>Current Liabilities</b>	<b>7,328</b>	<b>8,083</b>	<b>8,967</b>	<b>9,599</b>	<b>8,760</b>	-	-	-	-	<b>+1,432</b>
Long-Term Debt	457	382	307	472	942	-	-	-	-	+485
Other	785	910	834	707	667	-	-	-	-	(118)
<b>Fixed Liabilities</b>	<b>1,242</b>	<b>1,292</b>	<b>1,141</b>	<b>1,179</b>	<b>1,609</b>	-	-	-	-	<b>+367</b>
<b>Total Liabilities</b>	<b>8,570</b>	<b>9,375</b>	<b>10,108</b>	<b>10,778</b>	<b>10,369</b>	-	-	-	-	<b>+1,799</b>
<b>Shareholders' Equity</b>	<b>17,357</b>	<b>17,361</b>	<b>17,392</b>	<b>17,287</b>	<b>17,327</b>	-	-	-	-	<b>(30)</b>
Other	3,764	4,356	4,428	3,953	4,217	-	-	-	-	+453
<b>Net Assets</b>	<b>21,121</b>	<b>21,717</b>	<b>21,820</b>	<b>21,240</b>	<b>21,544</b>	-	-	-	-	<b>+423</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>29,691</b>	<b>31,092</b>	<b>31,929</b>	<b>32,017</b>	<b>31,913</b>	-	-	-	-	<b>+2,222</b>
Equity Capital	18,492	18,945	19,016	18,533	18,743	-	-	-	-	+251
Interest Bearing Debt	1,314	1,928	1,856	2,853	3,087	-	-	-	-	+1,773
<b>Net Debt</b>	<b>(2,498)</b>	<b>(2,238)</b>	<b>(2,316)</b>	<b>(1,403)</b>	<b>(848)</b>	-	-	-	-	<b>+1,650</b>
Equity Ratio	62.3%	60.9%	59.6%	57.9%	58.7%	-	-	-	-	-
Net Debt Equity Ratio	(13.5%)	(11.8%)	(12.2%)	(7.6%)	(4.5%)	-	-	-	-	-
ROE (12 months)	5.8%	5.2%	4.4%	3.4%	2.8%	-	-	-	-	-
ROA (12 months)	6.1%	5.8%	4.7%	3.4%	3.1%	-	-	-	-	-
Days for Inventory Turnover	104	101	99	97	106	-	-	-	-	-
Quick Ratio	148%	145%	134%	123%	130%	-	-	-	-	-
Current Ratio	234%	226%	211%	196%	210%	-	-	-	-	-

Source: Company Data, WRJ Calculation

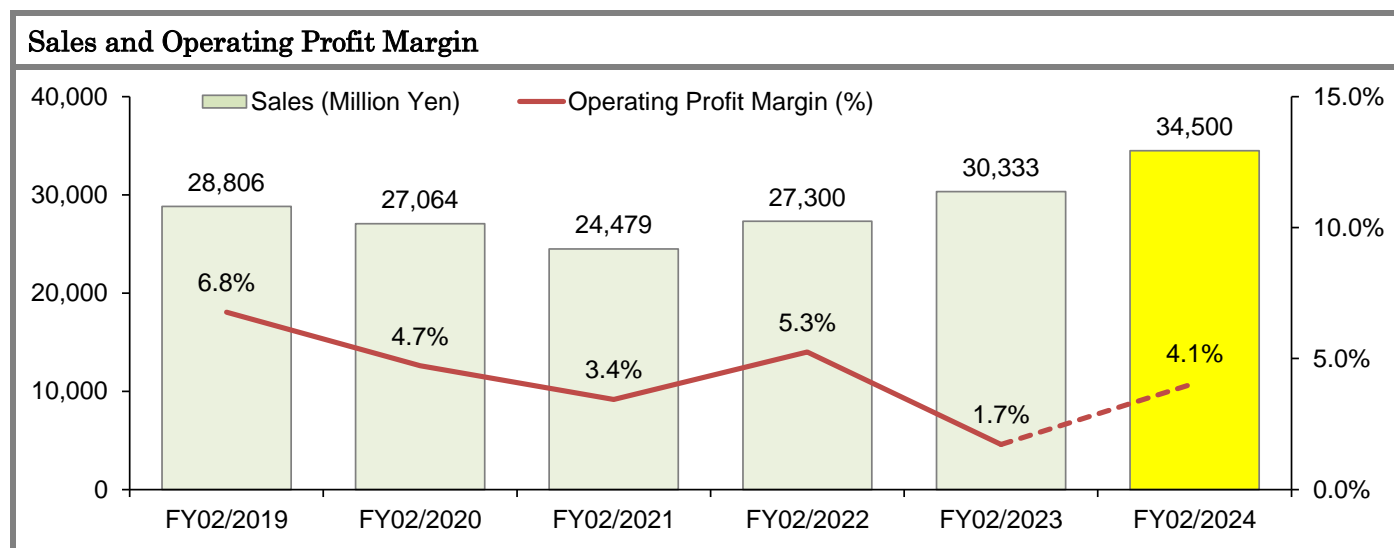
## Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 02/2023	Q1 to Q2 02/2023	Q1 to Q3 02/2023	Q1 to Q4 02/2023	Q1 02/2024	Q1 to Q2 02/2024	Q1 to Q3 02/2024	Q1 to Q4 02/2024		
Operating Cash Flow	-	535	-	515	-	-	-	-	-	-
Investing Cash Flow	-	(718)	-	(1,172)	-	-	-	-	-	-
<b>Operating Cash Flow and Investing Cash Flow</b>	<b>-</b>	<b>(183)</b>	<b>-</b>	<b>(657)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financing Cash Flow	-	487	-	1,227	-	-	-	-	-	-

Source: Company Data, WRJ Calculation

### FY02/2024 Company Forecasts

FY02/2024 Company forecasts, announced on 11 April 2023, have remained unchanged, going for prospective sales of ¥34,500m (up 13.7% YoY), operating profit of ¥1,400m (up 167.7%), recurring profit of ¥1,600m (up 53.0%) and profit attributable to owners of parent of ¥700m (up 13.9%), while operating profit margin of 4.1% (up 2.3% points). By the way, the Company saw currency gain of ¥295m for FY02/2023, while Company forecasts do not assume any currency gain nor loss.



Source: Company Data, WRJ Calculation

With respect to planned annual dividend, meanwhile, Company forecasts have also remained unchanged, going for ¥45.00 per share, implying payout ratio of 59.3%, comprising common dividend of ¥40.00, unchanged from the FY02/2023 results and commemorative dividend of ¥5.00 to be added for the 65th anniversary of foundation in October 2023.

For the actual results of Q1, the Company saw progress rate rather disappointing in sales and operating profit, i.e., 22.0% and 18.4%, respectively. However, the Company argues that the impact of higher selling prices will gradually expand as time goes by and thus Company forecasts assume ongoing improvement in performance for H2 in the first place. Meanwhile, the concern is that the Company's sales volume has been stagnating so far.

## FY02/2024 Company Forecasts

Consolidated Fiscal Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
FY02/2024CoE	11-Apr-23	Q4 Results	34,500	1,400	1,600	700
FY02/2024CoE	12-Jul-23	Q1 Results	34,500	1,400	1,600	700
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
FY02/2024CoE	11-Apr-23	Q4 Results	34,500	1,400	1,600	700
FY02/2024CoE	12-Jul-23	Q1 Results	34,500	1,400	1,600	700
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q1 to Q2 FY02/2024CoE	11-Apr-23	Q4 Results	-	-	-	-
Q1 to Q2 FY02/2024CoE	12-Jul-23	Q1 Results	-	-	-	-
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Q1 to Q2 FY02/2024CoE	11-Apr-23	Q4 Results	-	-	-	-
Q1 to Q2 FY02/2024CoE	12-Jul-23	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 FY02/2024CoE	11-Apr-23	Q4 Results	-	-	-	-
Q3 to Q4 FY02/2024CoE	12-Jul-23	Q1 Results	-	-	-	-
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Q3 to Q4 FY02/2024CoE	11-Apr-23	Q4 Results	-	-	-	-
Q3 to Q4 FY02/2024CoE	12-Jul-23	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), most lately revised on 22 February 2023, is going for prospective sales of ¥34,500m, operating profit of ¥1,400m and operating profit margin of 4.1% as performance target for FY02/2024, the final year of the plan. In other words, the above-mentioned FY02/2024 Company forecasts are in line with this performance target, while it appears that the Company is planning to formulate and announce MORESCO 10th Midterm Management Plan (FY02/2025 to FY02/2027) in light of recent trading after the beginning of FY02/2024.

In addition to enhancement of “new product development for new energy vehicles,” the Company has raised so many more themes for growth from a long-term perspective with MORESCO 9th Midterm Management Plan (FY02/2022 to FY02/2024). Specifically, the Company is keen on sales promotions for “minimum quantity spray type die-casting lubricants”, facilitation of adoptions for “recycling system for fire-resistant hydraulic fluid / Dr. HYDOL, an immediate analyzer for flame-retardant hydraulic fluids”, development of “liquid fertilizers with membrane treatment equipment of MATSUKEN CO., LTD.”, formulation of “R&D system for solving social issues”, contribution to “OPV - solar power generation in urban areas”, development progress in “the life science field”, commercialization for “generation of petrochemical materials from biomass”, enhancement of the system for “global expansion”, establishment of “new factory in China”, efforts on “decarbonization” and initiatives for “health management”. For example, on 22 August 2023, the Company has announced that it is to acquire the operations of a trade based in the United States ([URL](#)), which appears to help the Company to pursue enhancement of the system for “global expansion.”

## 5.0 Financial Statements

### Income Statement

Income Statement	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.CoE FY	YoY
(Million Yen)	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024	Net Chg.
<b>Sales</b>	<b>28,806</b>	<b>27,064</b>	<b>24,479</b>	<b>27,300</b>	<b>30,333</b>	<b>34,500</b>	<b>+4,167</b>
Cost of Sales	19,487	18,330	16,640	18,575	22,204	-	-
Gross Profit	9,319	8,734	7,838	8,725	8,129	-	-
SG&A Expenses	7,369	7,456	6,996	7,291	7,606	-	-
<b>Operating Profit</b>	<b>1,950</b>	<b>1,279</b>	<b>842</b>	<b>1,434</b>	<b>523</b>	<b>1,400</b>	<b>+877</b>
Non-Operating Balance	252	289	188	577	523	200	(323)
<b>Recurring Profit</b>	<b>2,202</b>	<b>1,568</b>	<b>1,030</b>	<b>2,011</b>	<b>1,046</b>	<b>1,600</b>	<b>+554</b>
Extraordinary Balance	76	-	(119)	833	-	-	-
Profit before Income Taxes	2,278	1,568	911	2,844	1,046	-	-
Total Income Taxes	576	540	240	831	320	-	-
Profit Attributable to Non-Controlling Interests	264	251	153	205	112	-	-
<b>Profit Attributable to Owners of Parent</b>	<b>1,438</b>	<b>776</b>	<b>518</b>	<b>1,808</b>	<b>615</b>	<b>700</b>	<b>+85</b>
Sales YoY	+3.2%	(6.0%)	(9.6%)	+11.5%	+11.1%	+13.7%	-
Operating Profit YoY	(16.3%)	(34.4%)	(34.1%)	+70.3%	(63.5%)	+167.7%	-
Recurring Profit YoY	(15.3%)	(28.8%)	(34.3%)	+95.3%	(48.0%)	+53.0%	-
Profit Attributable to Owners of Parent YoY	(11.4%)	(46.0%)	(33.3%)	+249.1%	(66.0%)	+13.9%	-
Gross Profit Margin	32.4%	32.3%	32.0%	32.0%	26.8%	-	-
SG&A Ratio	25.6%	27.5%	28.6%	26.7%	25.1%	-	-
Operating Profit Margin	6.8%	4.7%	3.4%	5.3%	1.7%	4.1%	+2.3%
Recurring Profit Margin	7.6%	5.8%	4.2%	7.4%	3.4%	4.6%	+1.2%
Profit Attributable to Owners of Parent Margin	5.0%	2.9%	2.1%	6.6%	2.0%	2.0%	+0.0%
Total Income Taxes / Profit before Income Taxes	25.3%	34.4%	26.3%	29.2%	30.6%	-	-

Source: Company Data, WRJ Calculation

23

### Segmented Information

Segmented Information	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.CoE FY	YoY
(Million Yen)	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024	Net Chg.
Japan	19,944	19,005	17,220	18,385	19,637	-	-
China	3,335	2,919	2,957	3,625	3,814	-	-
Southeast / South Asia	4,740	4,427	3,671	4,501	5,870	-	-
North America	786	713	631	789	1,011	-	-
<b>Sales</b>	<b>28,806</b>	<b>27,064</b>	<b>24,479</b>	<b>27,300</b>	<b>30,333</b>	<b>34,500</b>	<b>+4,167</b>
Japan	1,229	909	438	805	33	-	-
China	305	251	350	432	311	-	-
Southeast / South Asia	351	143	6	86	123	-	-
North America	(6)	(21)	43	107	87	-	-
<b>Segment Profit</b>	<b>1,878</b>	<b>1,283</b>	<b>837</b>	<b>1,431</b>	<b>553</b>	-	-
Adjustments	72	(4)	5	4	(30)	-	-
<b>Operating Profit</b>	<b>1,950</b>	<b>1,279</b>	<b>842</b>	<b>1,434</b>	<b>523</b>	<b>1,400</b>	<b>+877</b>
Japan	6.2%	4.8%	2.5%	4.4%	0.2%	-	-
China	9.1%	8.6%	11.8%	11.9%	8.2%	-	-
Southeast / South Asia	7.4%	3.2%	0.2%	1.9%	2.1%	-	-
North America	(0.8%)	(2.9%)	6.8%	13.6%	8.6%	-	-
<b>Segment Profit Margin</b>	<b>6.5%</b>	<b>4.7%</b>	<b>3.4%</b>	<b>5.2%</b>	<b>1.8%</b>	-	-
Adjustments	0.2%	(0.0%)	0.0%	0.0%	(0.1%)	-	-
<b>Operating Profit Margin</b>	<b>6.8%</b>	<b>4.7%</b>	<b>3.4%</b>	<b>5.3%</b>	<b>1.7%</b>	<b>4.1%</b>	<b>+2.3%</b>

Source: Company Data, WRJ Calculation

## Sales by Business Division

Sales by Business Division	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
(Million Yen)	FY	FY	FY	FY	FY	FY	YoY
	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024	Net Chg.
Functional Fluids	13,158	12,540	10,566	13,021	15,105	17,200	+2,095
Synthetic Lubricants	2,602	2,115	1,872	1,974	1,703	1,730	+27
Liquid Paraffins & Sulfonates	3,874	3,720	3,385	3,480	3,793	4,400	+607
Hot Melt Adhesives	7,318	6,882	6,807	6,785	7,664	8,600	+936
Energy Device Materials	-	126	113	237	209	350	+141
Other	1,800	1,628	1,682	1,794	1,859	2,220	+361
<b>Chemical Business</b>	<b>28,752</b>	<b>27,011</b>	<b>24,425</b>	<b>27,292</b>	<b>30,333</b>	<b>34,500</b>	<b>+4,167</b>
<b>Rental Building Business</b>	<b>53</b>	<b>53</b>	<b>53</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sales</b>	<b>28,806</b>	<b>27,064</b>	<b>24,479</b>	<b>27,300</b>	<b>30,333</b>	<b>34,500</b>	<b>+4,167</b>
Functional Fluids	+4.6%	(4.7%)	(15.7%)	+23.2%	+16.0%	+13.9%	-
Synthetic Lubricants	(5.1%)	(18.7%)	(11.5%)	+5.5%	(13.7%)	+1.6%	-
Liquid Paraffins & Sulfonates	+8.3%	(4.0%)	(9.0%)	+2.8%	+9.0%	+16.0%	-
Hot Melt Adhesives	+0.6%	(6.0%)	(1.1%)	(0.3%)	+13.0%	+12.2%	-
Energy Device Materials	-	-	(10.3%)	+109.9%	(11.8%)	+67.5%	-
Other	+6.3%	(5.3%)	+3.3%	+6.6%	+3.6%	+19.4%	-
<b>Chemical Business</b>	<b>+3.2%</b>	<b>(6.1%)</b>	<b>(9.6%)</b>	<b>+11.7%</b>	<b>+11.1%</b>	<b>+13.7%</b>	<b>-</b>
<b>Rental Building Business</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>(84.2%)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sales (YoY)</b>	<b>+3.2%</b>	<b>(6.0%)</b>	<b>(9.6%)</b>	<b>+11.5%</b>	<b>+11.1%</b>	<b>+13.7%</b>	<b>-</b>
Functional Fluids	45.7%	46.3%	43.2%	47.7%	49.8%	49.9%	-
Synthetic Lubricants	9.0%	7.8%	7.6%	7.2%	5.6%	5.0%	-
Liquid Paraffins & Sulfonates	13.4%	13.7%	13.8%	12.7%	12.5%	12.8%	-
Hot Melt Adhesives	25.4%	25.4%	27.8%	24.9%	25.3%	24.9%	-
Energy Device Materials	-	0.5%	0.5%	0.9%	0.7%	1.0%	-
Other	6.2%	6.0%	6.9%	6.6%	6.1%	6.4%	-
<b>Chemical Business</b>	<b>99.8%</b>	<b>99.8%</b>	<b>99.8%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-</b>
<b>Rental Building Business</b>	<b>0.2%</b>	<b>0.2%</b>	<b>0.2%</b>	<b>0.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sales (Composition Ratio)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-</b>

Source: Company Data, WRJ Calculation



## Balance Sheet

Balance Sheet	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
(Million Yen)	FY	FY	FY	FY	FY	FY	YoY
	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024	Net Chg.
Cash and Deposit	3,377	3,576	4,108	4,001	4,256	-	-
Accounts Receivables	6,863	6,720	6,643	6,844	7,595	-	-
Inventory	4,666	4,779	4,242	5,326	6,306	-	-
Other	296	361	311	436	653	-	-
<b>Current Assets</b>	<b>15,202</b>	<b>15,436</b>	<b>15,304</b>	<b>16,607</b>	<b>18,810</b>	-	-
Tangible Assets	9,231	9,034	8,518	8,304	8,610	-	-
Intangible Assets	1,275	1,046	792	633	589	-	-
Investments and Other Assets	2,548	2,613	3,093	3,465	4,002	-	-
<b>Fixed Assets</b>	<b>13,054</b>	<b>12,693</b>	<b>12,403</b>	<b>12,401</b>	<b>13,202</b>	-	-
<b>Deferred Assets</b>	-	-	-	-	6	-	-
<b>Total Assets</b>	<b>28,256</b>	<b>28,129</b>	<b>27,707</b>	<b>29,008</b>	<b>32,017</b>	-	-
Accounts Payables	4,527	4,072	3,975	4,308	5,144	-	-
Short-Term Debt	2,173	2,341	2,544	560	2,381	-	-
Other	2,403	1,650	1,602	2,392	2,074	-	-
<b>Current Liabilities</b>	<b>9,103</b>	<b>8,063</b>	<b>8,121</b>	<b>7,260</b>	<b>9,599</b>	-	-
Long-Term Debt	775	1,244	775	350	472	-	-
Other	603	612	649	847	707	-	-
<b>Fixed Liabilities</b>	<b>1,378</b>	<b>1,856</b>	<b>1,424</b>	<b>1,197</b>	<b>1,179</b>	-	-
<b>Total Liabilities</b>	<b>10,480</b>	<b>9,919</b>	<b>9,545</b>	<b>8,457</b>	<b>10,778</b>	-	-
<b>Shareholders' Equity</b>	<b>15,626</b>	<b>15,939</b>	<b>15,836</b>	<b>17,227</b>	<b>17,287</b>	-	-
Other	2,149	2,270	2,327	3,324	3,953	-	-
<b>Net Assets</b>	<b>17,775</b>	<b>18,209</b>	<b>18,163</b>	<b>20,551</b>	<b>21,240</b>	-	-
<b>Total Liabilities &amp; Net Assets</b>	<b>28,256</b>	<b>28,129</b>	<b>27,707</b>	<b>29,008</b>	<b>32,017</b>	-	-
Equity Capital	15,704	15,931	15,899	17,962	18,533	-	-
Interest Bearing Debt	2,948	3,585	3,319	910	2,853	-	-
Net Debt	(429)	9	(789)	(3,091)	(1,403)	-	-
Equity Ratio	55.6%	56.6%	57.4%	61.9%	57.9%	-	-
Net Debt Equity Ratio	(2.7%)	0.1%	(5.0%)	(17.2%)	(7.6%)	-	-
ROE (12 months)	9.2%	4.9%	3.3%	10.7%	3.4%	-	-
ROA (12 months)	7.9%	5.6%	3.7%	7.1%	3.4%	-	-
Days for Inventory Turnover	87	95	93	104	103	-	-
Quick Ratio	112%	128%	132%	149%	123%	-	-
Current Ratio	167%	191%	188%	229%	196%	-	-

Source: Company Data, WRJ Calculation

## Cash Flow Statement

Cash Flow Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
(Million Yen)	FY	FY	FY	FY	FY	FY	YoY
	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024	Net Chg.
Operating Cash Flow	2,599	1,771	2,088	2,333	515	-	-
Investing Cash Flow	(2,060)	(1,589)	(660)	603	(1,172)	-	-
<b>Operating Cash Flow and Investing Cash Flow</b>	<b>539</b>	<b>182</b>	<b>1,428</b>	<b>2,936</b>	<b>(657)</b>	-	-
Financing Cash Flow	(949)	78	(1,019)	(2,937)	1,227	-	-

Source: Company Data, WRJ Calculation

## Per Share Data

Per Share Data (Before Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024	Net Chg.
No. of Shares FY End (thousand shares)	9,697	9,697	9,697	9,697	9,697	-	-
Net Profit / EPS (thousand shares)	9,661	9,591	9,577	9,380	9,291	-	-
Treasury Shares FY End (thousand shares)	105	98	321	317	469	-	-
Earnings Per Share	148.85	80.91	54.09	192.76	66.19	75.83	-
Earnings Per Share (Fully Diluted)	-	-	-	-	-	-	-
Book Value Per Share	1,637.29	1,659.74	1,695.81	1,914.94	2,008.49	-	-
Dividend Per Share	50.00	50.00	40.00	40.00	40.00	45.00	-
Per Share Data (After Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024	Net Chg.
Share Split Factor	1	1	1	1	1	1	-
Earnings Per Share	148.85	80.91	54.09	192.76	66.19	75.83	-
Book Value Per Share	1,637.29	1,659.74	1,695.81	1,914.94	2,008.49	-	-
Dividend Per Share	50.00	50.00	40.00	40.00	40.00	45.00	-
Payout Ratio	33.6%	61.8%	74.0%	20.8%	60.4%	59.3%	-

Source: Company Data, WRJ Calculation

### Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage, etc.

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