MORESCO | 5018

TSE Standard

FULL REPORT

Lower crude oil prices boost earnings, — what lies ahead for structural reforms?

Summary

■ **Company overview:** MORESCO Corporation (hereinafter referred to as "MORESCO" or "the Company") is a R&D-oriented company that has developed products boasting market-leading shares in Japan, such as fire-resistant hydraulic fluid for the steel and automotive industries and liquid paraffin used as ingredients in cosmetics, with the aim of achieving domestic production of special lubricants. In recent years, the Company has successfully brought to market water-soluble die casting lubricants and environmentally friendly hot melt adhesives. In addition, it has also gained a leading global share in synthetic lubricants such as high temperature greases and hard disk surface lubricants. The Company is also actively expanding overseas, setting up bases in Thailand, China, North America, Indonesia, India and other countries to accelerate its global development. It is currently promoting new product development in environmental fields as well as in energy devices and life sciences, with the aim of becoming a company that delivers sustainable one-of-a-kind products to the world.

■ **Earnings trend:** For Q3 FY2026/2 (cumulative), net sales declined slightly by 1.3% YoY to JPY 25,573 mn, reflecting weaker demand for hot melt adhesives, while operating profit surged 50.2% YoY to JPY 1,671 mn. Price revisions, the absence of special factors, and cost reductions driven by a greater-than-expected decline in crude oil prices contributed to the substantial profit increase. In response, the Company revised its full-year profit forecast upward. Although net sales were revised downward, it expects significant upward revisions to profit items, supported by the earnings impact of lower crude oil prices and a continued shift toward higher value-added products. The Company also plans to increase the annual dividend to JPY 55, thereby strengthening shareholder returns.

■ **Share price insights:** The Company's share price, after peaking in 2015, declined sharply in 2020 following downward earnings revisions during the COVID-19 pandemic in 2020 and has since continued to underperform the TOPIX index. However, upward earnings revisions by competitors in November 2025 suggested resilience in the industry environment. Subsequently, following the Company's December announcement titled "Dissolution of the Chinese subsidiary accompanying a review of the global production structure," investor sentiment improved markedly, triggering a sharp rise in the Company's share price. Looking ahead, SIR identifies next fiscal year's earnings outlook, the final year of the Medium-Term Management Plan, as the key focus. While risks such as sharp fluctuations in crude oil prices and exchange rates remain, the external environment

JPY mn, %	Sales	YoY	Operating Profit	YoY	Ordinary Profit	YoY	Net profit	YoY	EPS	DPS
2022/2 C	27,300	11.5	1,434	70.3	2,011	95.2	1,808	249.0	192.76	40.0
2023/2 C	30,333	11.1	523	(63.5)	1,046	(48.0)	615	(66.0)	66.19	40.0
2024/2 C	31,886	5.1	1,225	134.2	1,826	74.6	1,283	108.6	139.01	45.0
2025/2 C	34,374	7.8	1,391	13.6	1,821	(0.3)	1,013	(21.0)	110.47	45.0
2026/2 CE	**35,000**	1.8	**2,400**	72.5	**2,700**	48.3	**1,550**	53.0	**168.94**	**55.0**

Source: Compiled by SIR from the Company IR material.
Note: Figures may differ from the Company's materials due to differences in SIR's financial data processing and the Company's reporting standards.

Focus Point

MORESCO's strength lies in its highly flexible R&D environment and policies, which draw out the ingenuity of researchers. Investors should look forward to the Company as it leverages its proprietary technologies to create new businesses, such as for sealants for perovskite solar cells and in the life sciences field. The question is whether it will be able to focus its management resources on niche, differentiated products.

Key Indicators	
Share price (2/12)	2,050
52WH (26/2/13)	2,083
52WL (25/4/7)	1,045
10YH (17/7/25)	2,345
10YL (20/3/17)	730
Shrs out. (mn shrs)	9.70
Mkt cap (JPY bn)	19.88
EV (JPY bn)	18.20
Equity ratio (25/2)	56.6%
FY25/2 P/B (act)	0.86x
FY26/2 P/E (CE)	12.1x
FY25/2 ROE (act)	4.9%
FY26/2 DY (CE)	2.68%

Stock Price Chart 52 Weeks

Source: Trading view

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(Continued from the previous page)

offers tailwinds, including a recovery in automobile production in Asia and the United States and expanding demand for large-capacity data storage driven by the widespread adoption of AI. Considering the Company's strong R&D capabilities, SIR believes the current share price level remains undervalued. Going forward, the key determinant of further valuation rerating will be how thoroughly the Company can implement structural reforms initiated last December, including bold restructuring of its business portfolio and a shift toward management that places greater emphasis on capital efficiency.

Company Profile

Summary

MORESCO develops, manufactures, and sells chemicals such as special lubricants and hot melt adhesives. Although these products are not often seen in daily life, they play an important role in the performance of end products and in manufacturing processes. The Company boasts a number of products with leading market shares in Japan, including high vacuum pump oil, fire-resistant hydraulic fluid, die casting lubricants, liquid paraffin, and petroleum sulfonates. In addition, its hard disk surface lubricants and high-temperature synthetic lubricating oils have earned a strong reputation. Furthermore, the Company has developed products that support a wide range of industries, including hot melt adhesives, cutting fluid, and organic device sealants. As a specialist in interface science, the Company has contributed to society through repeated technological innovation in the world of nanotechnology.

History

The predecessor of MORESCO was Matsumura Oil Research Corp., which was established in 1958 with the aim of producing special lubricants in Japan, after the R&D department was spun from Matsumura Oil Co., Ltd., a company engaged in the manufacturing and sale of industrial lubricants. The Company started by developing high vacuum pump oil, and later expanded into product fields that stayed ahead of the needs of the times, developing fire-resistant hydraulic fluids and diffusion pump oils. In 1965, the Chiba Plant was built, and the Company became the first in Japan to begin manufacturing liquid paraffin and petroleum sulfonates. In 1978, it registered the brand name "MORESCO[*1]", and in 1986, the Company established the Akoh Plant and entered the hot melt adhesives business. In 1995, it established its first overseas base in Thailand, and subsequently expanded its production and sales bases to China, the US, Indonesia, and India. In 2001, the Company opened a new head office and research center in Kobe City. It listed its shares on the JASDAQ stock exchange in 2003, and then moved to the First Section of the Tokyo Stock Exchange in 2011, before transferring to the Standard Market of the Tokyo Stock Exchange in 2023. The Company changed its name to MORESCO Corporation in 2009. Today, as a global company, MORESCO aims to achieve further growth by creating new businesses in the fields of energy devices and life sciences.

Management philosophy and values

MORESCO strives to become a corporate group that delivers sustainable one-of-a-kind products to the world, and aims to help create a sustainable society by accurately identifying the needs of customers and society and providing unique technologies and products. In particular, the Company focuses on product development aimed at reducing environmental impact and creating new value. Its corporate culture emphasizes taking on challenges and encouraging creativity, and it is constantly pursuing innovation as a research and development-focused company. Each employee is expected to take initiative and open up new possibilities through creative thinking and collaboration.

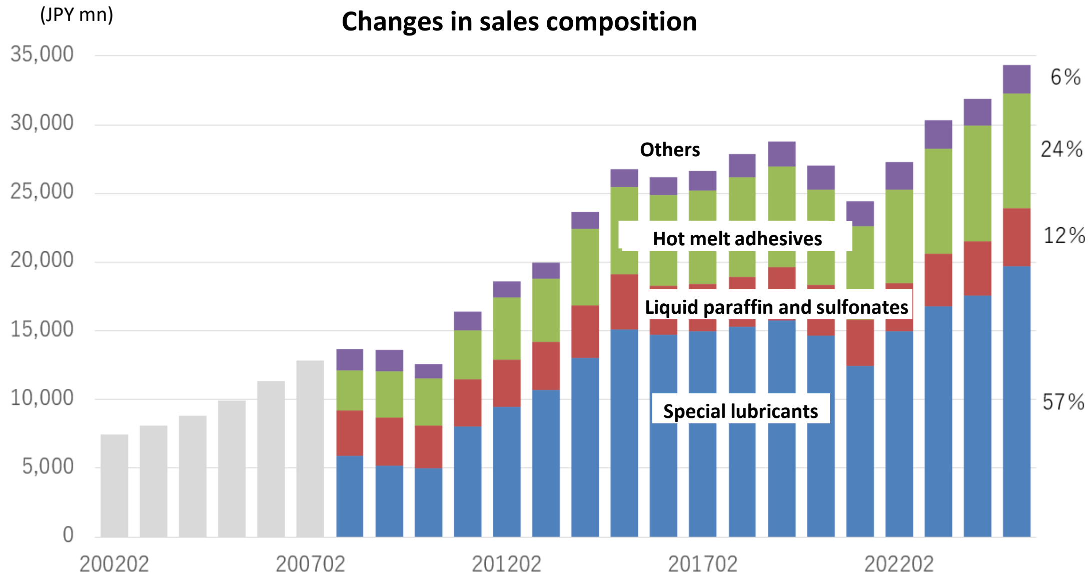
MORESCO Group Management Philosophy (Source: the Company website)

1. Under the motto of "R&D for users," the MORESCO group will contribute to our society by satisfying customer needs in the field of interface science.
2. As specialists in interface science, the MORESCO Group will continue expanding into new business fields and providing new interface functions and services.
3. The MORESCO group will create new value by fostering a working environment that respects an individual and a freewheeling thinking.

Business Model

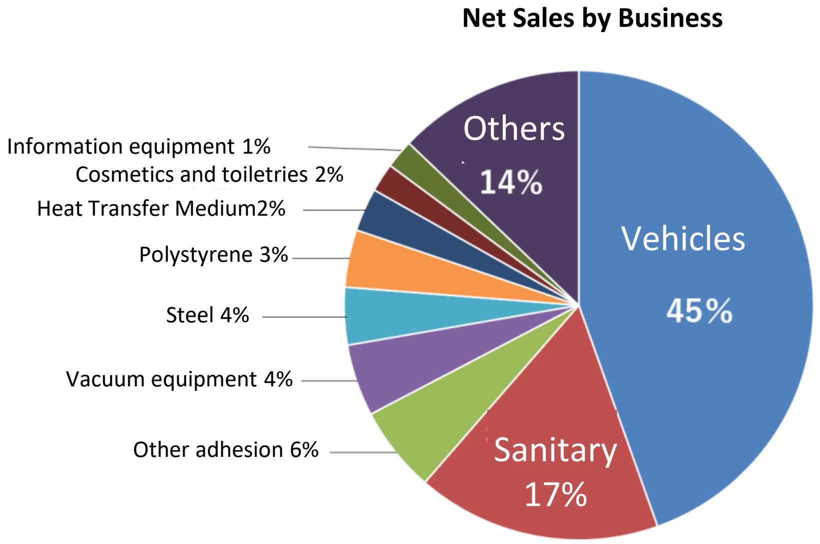
Business description

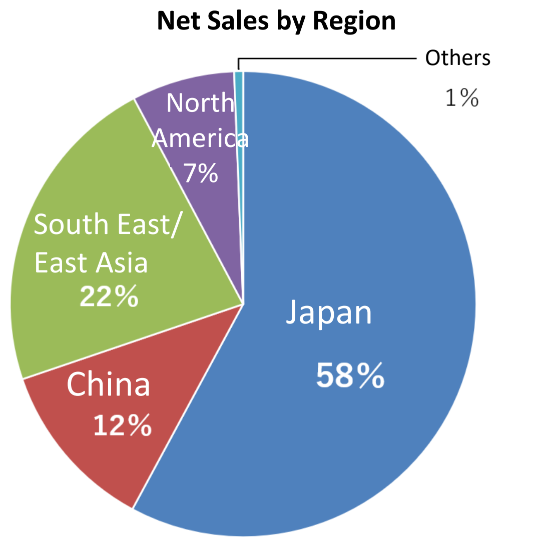
MORESCO does not disclose individual segment information by product, but provides sales figures by segment as a reference. According to these figures, the sales composition in FY2025/2 **consisted of 57% from the Special lubricants, 12% from the Liquid paraffin and sulfonates, 24% from the Hot melt adhesives, and 6% from the Others.** All of these segments operate in niche markets with little competition, but they are also fairly mature from a technological development perspective, and the Company is focusing on expanding into new businesses (in the "Other" segment) to drive future growth.



Source: Compiled by SIR from the Company IR material the Company annual securities report (YUHO financial statements)

As the Company supplies products for a wide range of fields and applications, sales by industry are diverse, but the mainstays are 45% for the automotive industry and 17% for hygiene products such as disposable diapers. In addition, overseas sales now make up 42% of total sales, centering on Asia, thanks to globalization since the latter half of the 1990s. Although the Company's customers are mainly Japanese companies, sales to local companies in China are on the rise.





Source: Compiled by SIR from the Company IR material and annual securities report (YUHO financial statements)
Note: Sales by region are based on the location of customers.

Akoh plant

Source: The Company IR material

(1) Special lubricants (FY2025/2 sales composition: 57%)

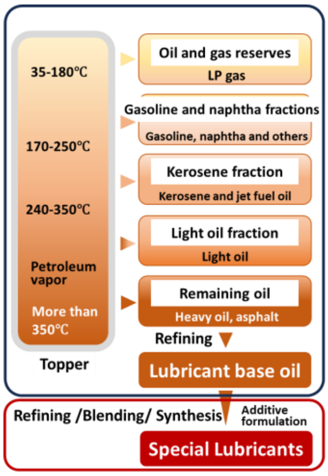
Special lubricants are high-performance lubricants designed to be used in specific applications and under certain conditions. While general lubricants can be used in a wide range of applications, special lubricants are designed to be used in specific environments*1, such as high or extremely low temperatures, vacuum environments, or in mechanical parts subject to strong friction. These lubricants not only reduce friction, but also have a variety of other functions, such as enhancing durability, reducing environmental impact, and preventing corrosion.

MORESCO Main Products

Product		Product information
Special lubricants	Vacuum pump oil	Oil used for lubrication, airtightness, cooling, etc. in vacuum pumps, which are used to maintain a pressure lower than normal atmospheric pressure (vacuum). MORESCO has a 70% share of the Japanese market for high vacuum pump oil, which is used in the semiconductor industry, etc.
	Hydraulic fluid	Fluid that transfers energy to cylinders and motors in hydraulic equipment. The Company has a 70% share of the Japanese market for water-glycol fire-resistant hydraulic fluids, which are ideal for use in locations with a fire risks.
	Die casting lubricant	Coating agent that prevents the adhesion between metal and metal mold in die-casting machines, where molten metal is poured into a mold and cooled to solidify. 55% market share in Japan.
	Cutting fluid	Lubricating fluid used in cutting metal, used for lubrication and cooling. 60% market share in Japan for high-performance glass machining, used to suppress the agglomeration, solidification, and floating of glass powder.
	Forging lubricant	Used to extend the useful life of forging equipment and improve the dimensional accuracy of products. 60% market share in Japan for environmentally friendly white-type lubricants for hot forging.
	High-temperature lubricating oil	Oil used to lubricate machinery and equipment in high-temperature environments. MORESCO has a 100% market share in high-temperature grease base oil used in automotive alternators (electric generators)
	Hard disk surface lubricant	Lubricates the gap between the magnetic disk and the magnetic head to protect the information recorded on the disk. Offers excellent heat resistance and superior adhesion that ensures the lubricant does not scatter even when the disk rotates at high speeds, capturing 50% of the global market share.
	Others (heat transfer mediums, etc.)	Heat transfer mediums are fluids that supply or remove heat energy in order to control the operating temperature of devices and machinery. Fluids used for heating are called heat transfer fluids, and those used for cooling are called refrigerants.

Source: Compiled by SIR from the Company website and IR material.

Manufacturing process (from oil refining to special lubricants)



Source: Compiled by SIR from the Company IR materials.
Note: Content within the black border shows the oil refining process carried out by oil refineries. Content within the red border shows the lubricant manufacturing process by the lubricant manufacturers.

The special lubricants industry is closely linked to a wide range of fields, including the automotive, aerospace, energy, and steel industries. For example, lubricants used in the processing and operation of automobile parts need to be able to withstand severe temperature changes and intense friction, while at the same time meeting society's demands for reduced environmental impact. To meet these demands, MORESCO carefully analyzes customer needs and customizes products based on this analysis. As a result, the Company is able to create competitive one-of-a-kind and high market share products with outstanding features.

Five forces in the special lubricants industry

Industry factors	Comments
Barriers to entry	The market is limited and mature. Environmental and safety regulations such as the Water Pollution Prevention Act and the Industrial Safety and Health Act are strict, and there is little appeal for new entrants. The technical barriers to entry for high-value-added products are high.
Competitive environment	There are 33 member companies of the Japan Metal Working Fluids Association, which is made up of manufacturers of special lubricants, and the number of member companies is high relative to the size of the market. Companies that directly compete with MORESCO include Sugimura Chemical (unlisted), BP Castrol K. K. (5015), Yushiro Chemical Industry (5013), and Idemitsu Kosan (5019) in Japan, with overseas players consisting of Henkel (hnkg.de), Castrol (unlisted), Chem-Trend (unlisted), and Quaker Houghton (KWR).
Customer bargaining power (automotive, steel companies, etc.)	Lubricants account for a small percentage of overall purchasing expenditure for customers, but they have strong bargaining power because of the large sales composition of automotive companies with strong bargaining positions.
Supplier bargaining power (oil refineries)	The supplier of the base oil used to make lubricants are oil refineries. The suppliers' ability to control prices is rising owing to increased industry consolidation.
Substitutes and services	With mechanical machinery and systems, where lubricants are used, there are also dry options that do not require lubricants, but these are not very widespread and have little impact. If 3D printing and other methods that do not involve traditional metalworking, such as cutting, casting, and forging, become the norm, the market for metalworking fluids may disappear, but this is still a topic for the distant future.

Source: Compiled by SIR from the interview with the Company.

*1: According to the "Resources and Energy Statistics" published by the Ministry of Economy, Trade and Industry, the production volume of lubricants in 2024 was approximately 2.1 mn kl, which is only 1.6% of the total production volume of 135 mn kl for petroleum products. Of this, the niche market for Special lubricants is approximately 1.2 mn kl.

(2) Liquid paraffins and sulfonates (12%)

Chiba plant

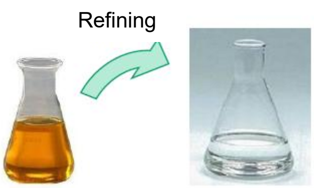
Source: The Company IR material

The majority of sales in the Liquid paraffin and sulfonates segment consist of liquid paraffin*1 and its joint product, petroleum sulfonates.

Liquid paraffin, also known as mineral oil or white mineral oil, is a colorless, transparent liquid that has been highly refined by removing impurities such as sulfur compounds from the base oil, which is the raw material. It is mainly used as a plasticizer when manufacturing products such as styrofoam and food containers. In addition, it is poorly absorbed by the skin, and used as a key ingredient in cleansing creams and cleansing oils, which are used to remove makeup from the skin, as well as in a wide range of other products, including basic skin care products such as milky lotions and creams, and makeup products. In the pharmaceutical industry, it is used as a base ingredient in ointments, rubs (topical applications) and other formulations.

Sulfonates are a type of surfactant composed of a hydrophilic portion that mixes well with water and a lipophilic portion that mixes well with oil. Depending on the raw materials and manufacturing method, there are petroleum (natural) sulfonates and synthetic sulfonates. Petroleum sulfonates are made from natural mineral oil, and are compatible with other additives, so they are mainly used as additives in metalworking fluids. Synthetic sulfonates, which are made from the same raw materials as synthetic detergents, are mainly used as additives to improve the performance of rust inhibitors.

Liquid paraffin



Source: The Company IR material

Five forces in the liquid paraffin and sulfonates industry

Industry factors	Comments
Barriers to entry	Commodity in a mature market generating low and stable profits. Accordingly, the threat of new entrants is small.
Competitive environment	Many competitors have already exited, leaving fewer players in the market. MORESCO maintains a strong position in terms of quality compared to imported products. Japan: Sanko Chemical Industry Co., Ltd. (unlisted) Overseas: Sonneborn (unlisted), Exxon Mobil (XOM), Seojin Chemical (unlisted), Kukdong (014530: KS), Formosa Plastics (1301.TW)
Customer bargaining power (cosmetics, medical Products)	Customer bargaining power is strong as the products are commoditized.
Supplier bargaining power (oil refineries)	The supplier of the base oil used as raw material are oil refineries. The suppliers' ability to control prices is rising owing to increased industry consolidation.
Substitutes and services	There are no competing products in terms of price/performance.

Source: Compiled by SIR from the interview with the Company.

Petroleum sulfonates

Source: The Company IR material

MORESCO's liquid paraffin and petroleum sulfonates are joint products produced simultaneously using a sulfonation method*2 for lubricating oil. In recent years, liquid paraffin production using the hydrogenation method*3 has become the norm, and the number of companies producing petroleum sulfonates worldwide has declined. As a result, while there have been many inquiries about petroleum sulfonates from overseas, the limited production ratio of the jointly produced liquid paraffin has restricted sales expansion. However, the Company expects to be able to substantially boost the production ratio of petroleum sulfonates by improving its proprietary sulfonation technology and selecting and procuring lubricants suitable for the production of petroleum sulfonates, and it plans to accelerate its overseas expansion in line with this.

*1: Paraffin is a type of organic compound made by distilling petroleum, and comes in two forms: liquid paraffin and solid paraffin. Solid paraffin is a waxy solid at room temperature, and has a variety of uses, including as fuel for candles and firelighters, crayons, coating agents for pharmaceuticals, and paraffin paper.

*2: A refining method that uses sulfuric acid to remove impurities from the raw material.

*3: A refining method that uses hydrogenation to remove impurities. Only produces liquid paraffin.

Akoh plant

Source: The Company IR material

(3) Hot melt adhesives (24%)

Disposable diapers and other hygiene products account for the majority of sales in the Hot melt adhesives segment, but there are also applications for envelop adhesive strips, labeling tape, and adhesive materials for automotive interiors.

The ingredients of common synthetic adhesives are solvents, resins, and additives, with the resin hardening and forming an adhesive bond as the solvent evaporates. Some of these solvents contain many harmful chemicals, raising concerns about their impact on the human body and the environment. Hot melt adhesives are solid at room temperature (in the form of sticks, powders, sheets, etc.), but they melt when heated to between 100 and 200 degrees Celsius, and then harden and become adhesive when they cool. As hot melt adhesives do not contain organic solvents, they are environmentally friendly and safe for the human body, and are often used as adhesives for items that come into direct contact with people.

In the 1970s, MORESCO saw the rapid growth of hot melt adhesives in Europe and the US, and focused on developing them as part of its diversification strategy. As a newcomer to the adhesive market, the Company initially faced difficulties in marketing its products for hygiene materials, but it eventually secured orders from major hygiene product manufacturers after gaining the endorsement of disposable diaper manufacturers and other companies. At its height, there were more than 20 companies in the hot-melt adhesive market for hygiene products, but as price competition intensified, most manufacturers withdrew, leaving the Company as the only genuine Japanese manufacturer (with a 16% share of the Japanese market) apart from joint ventures. In overseas markets, the Company expanded its business mainly targeting Japanese hygiene product manufacturers, and has manufacturing bases in China, Indonesia, and India. The market for automotive interior materials is small, but there are also high-value-added products such as moisture-curing products that improve adhesive performance in response to moisture.

Disposable diapers

Disposable diapers are made by wrapping superabsorbent polymer in a non-woven fabric sheet. hot melt adhesive is applied to each sheet in a mesh pattern to bond and merge them together.

Five forces in the hot melt adhesives industry

Industry factors	Comments
Barriers to entry	Sales of hygiene products continue to grow overseas due to rising adoption rates, while the Japanese market is maturing but still growing centered on adult diapers, resulting in stable growth overall. Profitability is falling amid intensifying competition. The automotive interior materials business is highly profitable but the market is small. Overall, the threat of new entrants is small.
Competitive environment	Mass-produced products have become commodities, and competition is fierce. Japanese players, with the exception of MORESCO and joint ventures, have withdrawn from the market. Japan: Henkel (hnkg.de), Sekisui Fuller (joint venture between Sekisui Chemical and H.B. Fuller), Bostik Nitta (joint venture between Bostik and Nitta Gelatin), etc. Overseas: Henkel (hnkg.de), H.B. Fuller (FUL), Bostik (subsidiary of Arkema), etc. There is also competition from solvent-based and urethane resin-based adhesives.
Customer bargaining power (manufacturers of hygiene products /automobile)	Hot melt adhesives account for a small percentage of overall purchasing expenditure for customers, but they have strong bargaining power as the industry is consolidated
Supplier bargaining power (manufacturers of resins)	The suppliers are manufacturers of functional resins such as Asahi Kasei Corp. <3407>, Arakawa Chemical Industries, Ltd. <4968>, and Idemitsu Kosan Co., Ltd. <5019>. Supply is tight, particularly in Asia, and the bargaining power of suppliers is on the rise.
Substitutes and services	There are currently no products that substitute for adhesive functions.

Source: Compiled by SIR from the interview with the Company.

Automotive interior materials

Automotive interior materials are made from polypropylene, which cannot be bonded using ordinary adhesives. Therefore, hot-melt adhesives, which have similar physical properties as polypropylene, are used.

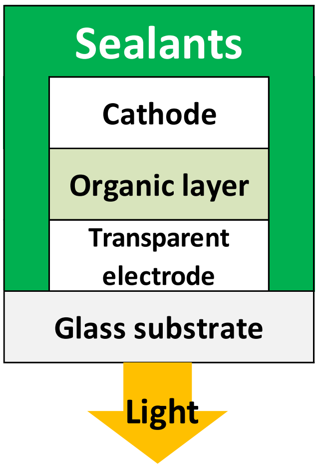
Source: Compiled by SIR from various sources.

The challenges in the Hot melt adhesives segment likely relate to improving profitability. In addition to the fact that customers are increasingly consolidating, raw material prices are affected by fluctuations in crude oil prices and exchange rates. Furthermore, with the exception of some applications for automotive interior materials, the Company has few one-of-a-kind or high market share products in the segment, and it is therefore susceptible to price competition.

Head office/ Research center

Source: The Company IR material

Structure of glass substrate OLEDs



Source: Compiled by SIR from various sources.

Going forward, the Company plans to promote price revisions and optimize production efficiency by consolidating and eliminating products, while also entering the recycling business and expanding into medical applications. It also plans to focus on high-value-added products such as biomass-based hot-melt adhesives, which are designed to reduce CO_2 emissions.

(4) Other (6%)

Sales of the Other segment consists of the wastewater treatment equipment of consolidated subsidiary Matsuken, the analysis and testing services of MORESCO Techno, and energy device materials such as organic EL[*1] sealants and organic photovoltaics. This section will discuss energy device materials, which are one of the foundations for creating next-generation businesses.

The energy device materials business is a relatively new business that began full-scale production and sales of products for organic devices in 2012. Organic devices are a new technology being used in organic EL, electronic paper, and perovskite solar cells, which are attracting attention as next-generation solar cells. Sealants, which MORESCO excels in, are an important component that affects the quality of these devices. Sealants are made using technology developed for hot melt adhesives, and must prevent water from entering in order to improve the durability of organic devices. The sealing materials for OLED displays[*2] developed by the Company are supplied to glass substrate OLED display manufacturers in Japan, China, and Taiwan, and command a majority share of the global market.

Five forces in the organic device sealants industry

Industry factors	Comments
Barriers to entry	Can be started with a relatively small investment. Research institutes and companies around the world are paying attention to organic devices, and while there are many latent new entrants for the organic device sealant component, it is technically challenging and the barriers to entry are high. The barriers to entry for films, which are technically more challenging than glass, are even higher.
Competitive environment	Competitors include major general adhesive manufacturers such as ThreeBond (unlisted), Henkel (hnkg.de), Nagase ChemteX (unlisted), and Sekisui Chemical (4204). Organic sealants come with R&D costs, but it is not substantial. Competition is therefore relatively mild.
Customer bargaining power (manufacturers of hygiene products /automobile)	Sealants account for a small proportion of the cost of panels. Customers are large, but the performance of sealants affects the quality of the final product. Accordingly, the bargaining power of customers is not high.
Supplier bargaining power (manufacturers of resins)	Major suppliers include ADEKA (4401), Arakawa Chemical (4968), and Mitsui Chemicals (4183). However, suppliers are relatively fragmented and lot sizes are small, and the bargaining power of suppliers is not strong.
Substitutes and services	There are no competing products in terms of price/performance.

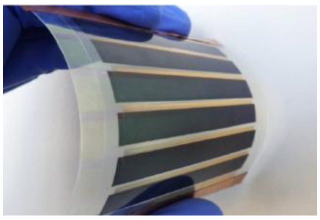
Source: Compiled by SIR from the interview with the Company.

Another pillar of this segment is the gas and water vapor transmittance measurement device "MORESCO-SuperDetect", which boasts unrivalled quality and technology. It is capable of measuring the amount of moisture equivalent to dropping a single drop of water per day on a sample (film) with the same area as 10 soccer fields. In addition, the segment provides commissioned analysis services targeting a wide range of materials, including barrier films used in film organic devices, as well as components used in hydrogen fuel cells and semiconductors. Through this, the Company is working to reduce the risk of its materials and products sales business centered on sealants and measurement devices.

*1: Organic electroluminescence refers to components and displays that make use of the phenomenon of light produced by applying a voltage to specific organic materials. They are used in televisions, smartphones, digital signage, and foldable mobile displays.

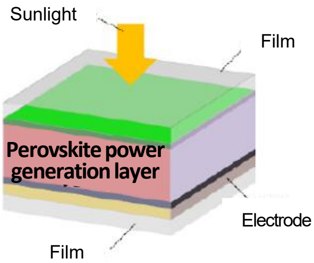
*2: There are two main types of OLED displays: those that use glass substrates and those that use film substrates. The main manufacturers of OLED displays that use film substrates are Samsung Electronics (005930.KS) and LG Electronics (066570.KS), which coat the inorganic sealing material themselves.

Prototype of PSCs



Source: The Company IR material

Structure of PSC



Source: METI Agency for Natural Resources and Energy

Note: Sealants are used to wrap the power generation layer and electrodes inside the film

New business: Sealant for perovskite solar cells -

Perovskite solar cells (hereafter, PSCs) are innovative solar cells that are attracting attention as a next-generation energy technology. The name comes from the mineralogist who discovered the mineral “perovskite” (calcium titanate) in 1839, and PSCs use materials with the same crystal structure as perovskite.

Compared to conventional silicon solar cells, one of the major advantages of PSCs is that the manufacturing process is simpler with lower costs and energy consumption[*1]. In particular, film PSCs are lightweight and highly flexible, and can be installed on roofs with low load-bearing capacity, which is challenging with conventional silicon solar cells. In addition, since transparency and color variations can be adjusted, PSCs are expected to be used in a wide range of fields, including window glass, building materials, and vehicles. Furthermore, PSCs efficiently absorb light, enabling it to generate more power with less material. These characteristics may solve the cost and weight issues that conventional solar cells have. On the other hand, there are durability and stability issues with PSCs. The perovskite crystals that are key to power generation are vulnerable to moisture and heat, and are not suited for long-term use, creating a need for improved sealing technology and the development of new materials. In addition, since PSCs use materials that contain lead, reducing the environmental impact is also a priority issue.

MORESCO operates a PSC sealant business, leveraging its technology for organic device sealants. The Company's sealants are attracting attention not only for their superior barrier performance, which prevents moisture and oxygen degradation, a major issue for PSCs, but also for their unique technological strengths. First, the Company's sealants can be pasted directly to perovskite elements without causing damage. This technology addresses the issue of perovskite materials being vulnerable to chemical stimuli, and greatly improves the flexibility of the manufacturing process. Furthermore, the Company is also exploring sealing processes that are designed for continuous production using the roll-to-roll method[*2]. This technology is extremely effective for industrial applications that require large-scale production, and the Company's products have the potential to establish a unique position in the PSC market.

However, there are also some challenges facing MORESCO's sealant business. First, the durability and stability issues of PSCs as a whole have yet to be resolved, and there is a continuing need to improve the performance of the sealant to compensate for this. In addition, there is a need for sealants to be made from environmentally friendly materials and to have properties that facilitate recycling, taking into account factors such as recovering the lead contained in perovskite, as society calls for reducing environmental impact. Furthermore, the PSC market is still in its infancy, and cost reductions and improvements in reliability are essential for it to become widespread. The Company is focusing on material development and process improvement to address these issues.

One company that is seen as a major competitor in the field of sealants for PSCs is Sekisui Chemical Co. Ltd. (4204), which announced in 2021 that it had successfully developed a film PSC with a 15.0% power generation efficiency. It reportedly confirmed that the product has an outdoor durability equivalent to 10 years, by leveraging its own sealing, film formation, material, and process technologies.

There are many projects underway in Japan and overseas to put PSCs into everyday use. As part of this, MORESCO is participating in a consortium led by Professor Miyasaka of Toin University of Yokohama, who is known as the creator of the PSC, and is responsible for the development of high-performance sealing materials. This consortium aims to produce PSC in Japan before the end of 2026, and is working toward creating a sustainable energy society through industry-academia collaboration.

*1: Silicon solar cells require high temperatures of over 1,400°C to manufacture silicon wafers, but PSC can be manufactured at low temperatures of around 150°C.

*2: A processing method in which a roll of base material (such as film or paper) is unrolled, processed, and then re-rolled.

New business: Life sciences

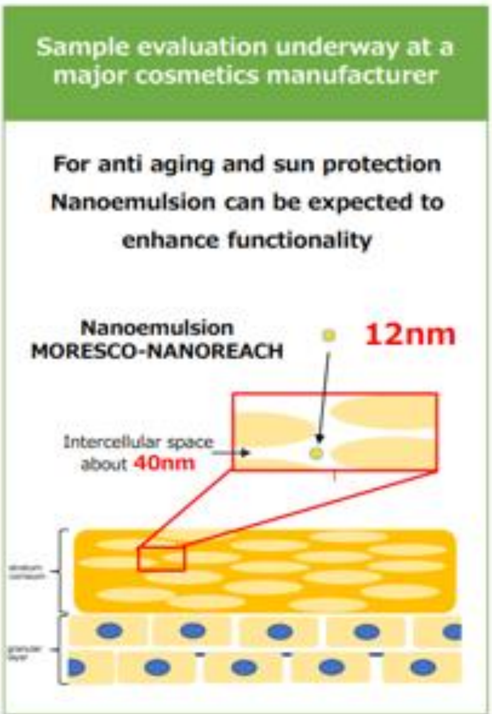
MORESCO, which had originally developed its business in the fields of special lubricants and hot melt adhesives, using refining, blending, and synthesizing technologies as its base, entered the life sciences business in 2024 as a new growth area. This was based on the Company's decision to use the elemental technologies it had cultivated to date to solve social issues in the fields of medicine and healthcare. Notable product areas in this business include nanoemulsion-related products and autophagy activators.

Nanoemulsion technology helps improve the quality of cosmetics, pharmaceuticals, and food products by dispersing ingredients that are difficult to dissolve in water as nano-sized emulsified particles. Specifically, dissolving and emulsifying liposoluble coenzyme Q10 and vitamin E into 12-nanometer particles significantly improves the rate of oral and transdermal absorption. In the pharmaceutical field, the Company is also conducting research into the use of nanoemulsion as a drug delivery system (DDS) for anti-cancer drugs in collaboration with Nagasaki University. It has already obtained a patent for its technology for minimizing particle size, and is preparing to test-market its own cosmetics with the aim of attracting major users.

Autophagy activators, on the other hand, are drugs that activate autophagy, a physiological process that breaks down and reuses waste and abnormal proteins within cells. Autophagy plays an important role in maintaining cell health and preventing aging, and abnormalities in autophagy are believed to be linked to risks of developing neurodegenerative diseases such as Alzheimer's and Parkinson's, as well as cancer. The Company is conducting research and development on new drugs that control autophagy functions, with the aim of treating aging, lifestyle-related diseases, and even neurological diseases.

MORESCO's strengths in this field lie in its broad knowledge ranging from basic research to application, and its development system based on industry-academia collaboration. These products not only advance medical technology, but also have the potential to make a major contribution to solving social issues such as extending healthy life expectancy and improving quality of life (QOL).

Nanoemulsion Technology



Autophagy activators

Source: The Company IR material

■ MORESCO’s Strength: R&D capabilities

When looking into MORESCO‘s history, records show that seven researchers established a Matsumura Oil Research Corporation with a societal mission to be a research institute for the user. This was because the young researchers had dreams of deepening research and development and advancing their facilities accordingly, which led to the decision to establish a separate company. It is not difficult to imagine that this bold move to take on new challenges with ambitious ideals had a great impact on the Company's subsequent direction and culture.

The Company offers a wide range of products, but the elemental technologies used in these products are based on the refining, blending, and synthesizing technologies[*1] cultivated in the Special lubricants business. MORESCO's philosophy of being a specialist in interface science was originally based on understanding and controlling friction at the boundary between two surfaces using lubricants. However, in recent years, it has come to carry a broader meaning, pointing toward becoming a company that delivers a wide range of products, services, and technologies that transcend various boundaries, such as for adhesion and separation, chemistry and physics, chemistry and biology/pharmacology, and experimentation and data science. This has become the foundation for the Company as it pioneers new fields.

Products and elemental technologies

Products	Elemental technologies
Special lubricants	Technology for refining, blending and synthesizing organic compounds, using hydrocarbons, silicone oil, and other materials as base ingredients for lubricants
Ingredients (liquid paraffin, petroleum sulfonates)	Technology for refining paraffin oil from a lubricant, and technology for synthesizing additives such as surfactants and rust inhibitors
Hot melt adhesives	Polymer blending technology, polymer compound modification technology[*2]
Hard disk surface lubricant	Technology for refining, blending, and synthesizing fluorine compounds
Organic device sealant	Technology for blending high-molecular organic compounds (applied hot-melt adhesive technology), and technology for curing high-molecular organic compounds using light and heat
Nanoemulsion	Applied surfactant technology acquired through research and development of lubricants
Autophagy activators	Technology for synthesizing low-molecular-weight organic compounds

Source: Compiled by SIR from the interview with the Company.

The source of MORESCO's research and development capabilities lies in its highly flexible research environment and technical sales. The Company was established by seven researchers with a strong entrepreneurial spirit when they spun off from another company, and it maintains a culture that encourages researchers to think freely and take on challenges. One prime example of this is the research group activity, in which employees voluntarily select research themes and gather members to conduct research, separate from their daily research and development work. This activity has been in place for over 20 years, with around 10 teams active at any given time. In addition, there is a lot of interaction between the R&D and sales departments, and the Company has been able to develop products that are truly valuable to customers by having the technical sales team accurately understand customer needs and provide feedback to the R&D department. MORESCO also actively engages in joint research with external research institutions and universities, and this has enabled it to hone its own technologies while incorporating the latest technological trends.

*1: Refining is the process of removing impurities to make something purer. Blending is a modification method that combines two or more different ingredients to maximize their characteristics. Synthesis is the process of creating a compound using chemical reactions.

*2: This is a technology that changes the surface, properties, and state of a macromolecular compound.

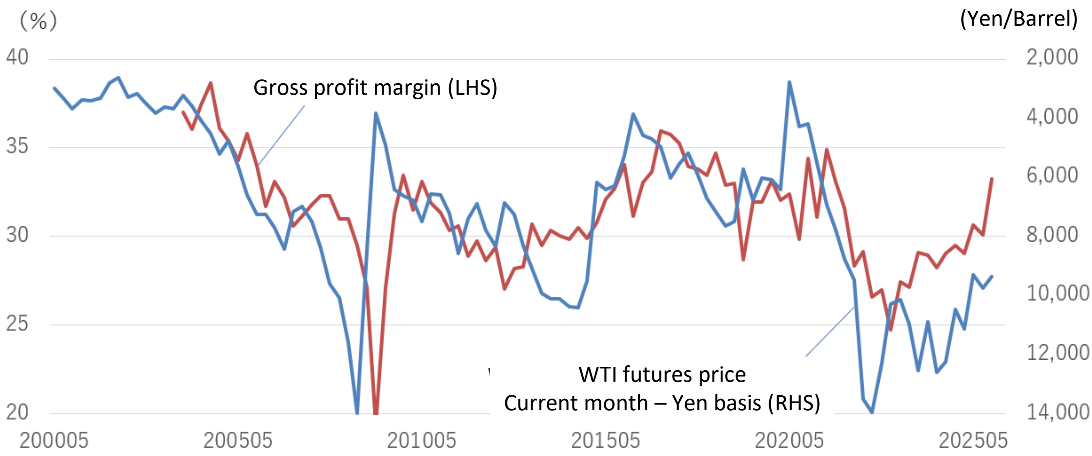
Furthermore, the regularly held R&D meetings are a forum for reviewing the direction and progress of research and development, and they serve as a hub for R&D management. At these meetings, the heads of the product development and R&D departments of each division, sometimes joined by researchers from partner universities, gather to discuss the latest research results and technical issues. This has enabled the Company to share knowledge both internally and externally, while mutually inspiring each other to pursue technological advancement and innovation.

Earnings driving factors and profit structure

MORESCO's business has two main characteristics. The first is that it adds value to petroleum-derived materials such as base oils for lubricants and functional resins, and supplies them as products. The second is that, while its customers are diverse, sales are greatly affected by the number of automobiles produced. As a result, the main factors driving earnings performance are crude oil prices, exchange rates, and the number of automobiles produced in Japan and overseas.

Since a large proportion of the Company's sales are exposed to the risk of fluctuations in crude oil prices and exchange rates, there is a strong correlation between gross profit margin and the Japanese yen-based WTI futures (reverse scale). The Company is working to revise prices in its main business areas as a top priority, and its future profitability will depend on its ability to reduce the risk of fluctuations in raw material prices and exchange rates.

Oil prices, exchange rates and gross profit margin

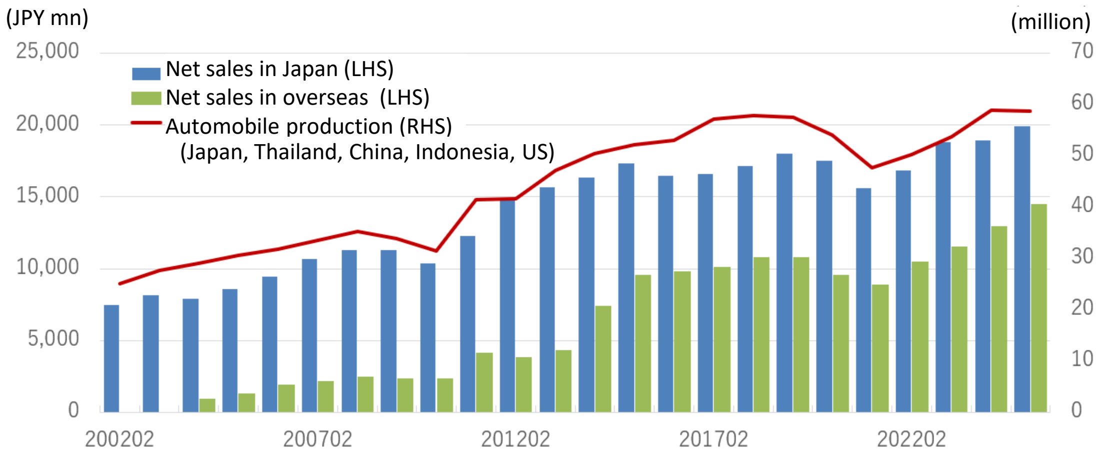


Source: Compiled by SIR from the Company annual securities report (YUHO financial statements) and SPEEDA data.

In addition, when comparing automobile production volumes in the countries where MORESCO operates with sales trends in Japan and overseas, it is clear that there is a very strong correlation between the two. The heavy dependence on the automobile industry may bring to mind the risk of a shift to electric vehicles (EVs), but MORESCO is projecting an increase in demand as (1) the Company does not sell engine oil, (2) it sells many products related to automotive bodies and interiors, and (3) high-performance mold release agents are needed for the new "GigaCast[*1]" method of manufacturing automotive bodies.

*1: Production technology that uses aluminum alloy to integrally cast automobile body parts. There have been reports that Toyota and Tesla have replaced more than 100 parts with two giant aluminum parts.

Automobile production and sales in the Company base countries



Source: Compiled by SIR from OICA and SPEEDA data

Approximately 80%[*1] of the Company's cost of sales is made up of material costs such as base oils for lubricants and resins, with approximately 60% of sales estimated to be variable costs including packing, transportation, and storage costs. On the other hand, R&D expenses account for approximately 5% of sales, giving the Company a profit structure with a high marginal profit ratio.

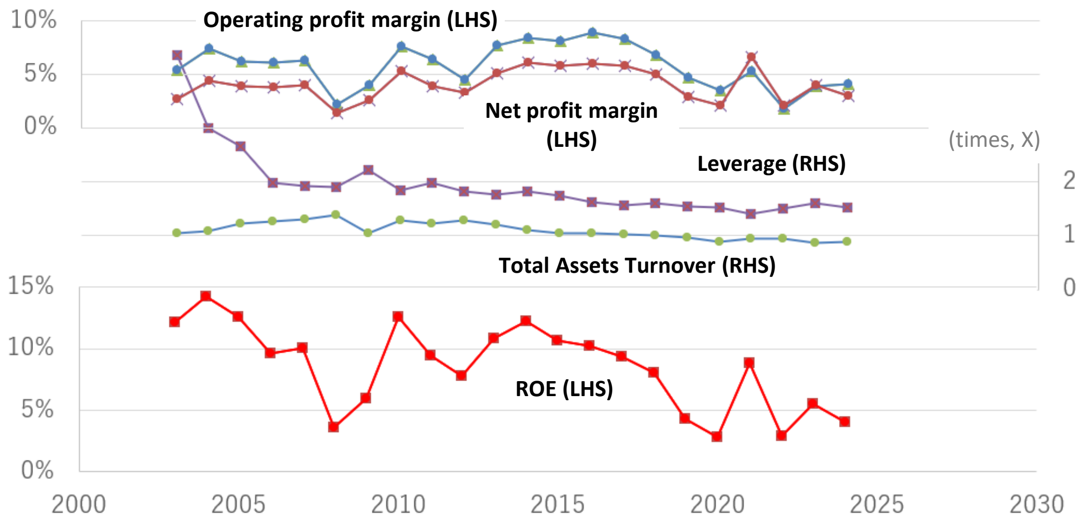
*1: SIR estimates based on the manufacturing cost breakdown (annual securities reports for FY2014/2 and earlier)

Financial Analysis

Financial trend analysis

The figure below analyzes ROE trends by looking at profitability and efficiency. The Company had maintained double-digit ROE around 2015, but various factors have combined to cause a steep decline in recent years. Its operating margin dropped substantially due to a combination of factors, including startup costs for overseas bases in India and other countries, a decline in automobile production following the COVID-19 pandemic, as well as higher crude oil prices and the weakening of the yen. Under these challenging circumstances, its one-of-a-kind and high market share products contributed to earnings, but the slump in the Liquid paraffin and sulfonates segment and the Hot melt adhesives segment, which tend to be directly affected by high crude oil prices and a weak yen, weighed heavily on overall results. Although sales have been on an upward trend in line with a recovery in automobile production since FY2022/2, profit margins have been slow to recover owing to delays in reflecting cost increases onto selling prices in the Liquid paraffin and sulfonates segment and the Hot melt adhesives segment. Profitability improvement measures, including those related to passing on cost increases, will be discussed in the next section.

Financial trend analysis by ROE decomposition



Source: Compiled by SIR from the Company IR material and SPEEDA.
Note1: Decomposition of ROE (ROE = Net profit/Net asset = Net profit/~~Net sales~~ x ~~Net sales~~/~~Total asset~~ x ~~Total asset~~/Net asset.
Note2: Net profit for FY2022/2 came in higher owing to the recording of extraordinary gains from the sale of the MORESCO Honmachi Building.

On the other hand, the Company's total asset turnover ratio and equity multiplier (total assets/net assets), both of which indicate efficiency, have also been gradually declining over the past 10 years. The equity turnover ratio (net sales/net assets), which is the product of these two figures, has fallen from 2.6x in FY2009/2 to 1.4x in FY2025/2, dragging down ROE. SIR believes that the reason for this decline is the Company's cautious approach to business operations, as seen in its efforts to secure ample liquidity on hand, increase inventories and work in progress, and keep its D/E ratio (interest-bearing debt/equity) low.

MORESCO is currently working to start up its energy device and life science businesses. SIR believes that these new businesses require relatively little initial investment and are unlikely to lead to higher business risks. The Company is highly committed to improving capital efficiency, and will likely shift toward honing in on key businesses and focusing on its balance sheet.

Initiatives to improve profitability

MORESCO is working on the following three initiatives to address the current drop in profitability and achieve sustainable growth.

1. Sales expansion of high value-added "MORESCO Green SX" products

MORESCO is working to expand sales of its environmentally friendly high-value-added "MORESCO Green SX (MGS)" products, which are centered around specialty lubricants and hot melt adhesives. MGS products have been certified as products that help reduce environmental impact and create a sustainable society, based on an assessment of the entire lifecycle of the products, from raw material procurement to disposal. The Company plans to raise its MGS mix from 29% of sales in FY2023/2 to 40% in FY2027/2, with the aim of enhancing its product portfolio. Examples of MGS products include no-dilution highly stable water soluble minimal application mold release agents that helps reduce waste liquid, and reusable water-glycol fire-resistant hydraulic fluids. The Company plans to expand sales by tapping into its existing customer base and capturing new users for these products.

2. Strengthening production methods and overseas expansion for liquid paraffins and sulfonates

The Company has completed its review of production methods for liquid paraffins and petroleum sulfonates and is currently transitioning to a full-scale expansion phase under the new process. Through the introduction of its proprietary sulfonation method, the Company has established a flexible supply structure that optimizes the joint production balance and put in place a technological foundation capable of responding promptly to future fluctuations in supply and demand, thereby reinforcing the sustainability of the business.

The Company is currently strengthening overseas marketing efforts for petroleum sulfonates, which offer particularly high profitability. The product possesses superior surfactant and anti-rust properties and, as an additive for metalworking fluids with limited competition, is expected to secure a high level of profitability. In addition, the significant improvement in yield achieved through the new production method directly contributes to higher profit margins.

At present, the Company continues to lay the groundwork for expanding its market share in overseas markets where inquiries remain strong. While concrete numerical results have yet to materialize at this stage, the business is currently at a critical juncture in transforming from one that has long struggled with low profitability into a high-value-added pillar of earnings.

3. Measures to improve profitability in the Hot melt adhesives segment

In the Hot melt adhesives segment, the Company has begun pursuing a fundamental improvement in profitability through the expansion of high-value-added products alongside the restructuring of its global production structure. Of particular note is the December 2025 decision to dissolve its Chinese subsidiary, TIANJIN MORESCO TECHNOLOGY CO., LTD. This decision signifies a withdrawal from in-house manufacturing in China for this business, and the Company will proceed with outsourcing production to local companies and consolidating operations at the Akoh and Indonesia plants. Since its establishment in 2014, the Tianjin site has served as a cornerstone of the Company's Asia strategy. However, in response to changes in the market environment, the Company has prioritized efficiency gains through streamlining. At the same time, existing initiatives will continue, including the development of new products for automotive interiors and plant-derived resin blends, price revisions, and optimization of production efficiency through product consolidation and rationalization.

SIR views this restructuring of the site as a strategic decision made in response to changes in the competitive environment. Going forward, SIR will closely monitor the steady progress of initiatives aimed at maintaining quality during the production transfer and stabilizing the earnings base.

Through these measures, the Company is working to improve profitability and transform its business structure so that it is less susceptible to changes in the external environment.

Earnings Trend

For Q3 FY2026/2 (cumulative), the Company reported consolidated net sales of JPY 25,573 mn (–1.3% YoY), operating profit of JPY 1,671 mn (+50.2% YoY), ordinary profit of JPY 1,798 mn (+32.3% YoY), and profit attributable to owners of the parent (hereinafter, net profit) of JPY 1,175 mn (+43.4% YoY). While net sales were directly affected by lower automobile production volumes in Japan and North America, profitability improved significantly. This improvement was attributable not only to revisions to selling prices and a shift toward high-value-added products, but also to the normalization and absence of prior-year negative special factors, such as post-acquisition integration costs at the US subsidiary and one-off expenses related to the reorganization of the China subsidiary. In addition, lower crude oil prices acted as a powerful cost-reduction factor. Compared with the initial plan of USD 79.5 per barrel, the Q1–Q3 average remained at USD 68.2 per barrel. Although the yen depreciated more than expected, the benefits of lower crude oil prices more than offset the negative impact of currency movements, resulting in a decline of over 10% in yen-based crude oil prices. As a result, the cost-of-sales ratio improved significantly. The Company more than offset non-operating expenses arising from foreign exchange losses, and profits at each level showed strong overall growth.

By segment, the Liquid paraffins and sulfonates segment led revenue growth, supported by a recovery in demand for liquid paraffins and price revisions, while sulfonates also recorded steady domestic sales. In the Special lubricants segment, cutting fluids and hard disk surface lubricants performed steadily, whereas high vacuum pump oils and die casting fluids struggled amid reduced capital investment in Japan and overseas. The Hot melt adhesives segment recorded an overall decline in net sales, as weak demand for hygiene products and filter-related uses in China more than offset increased sales for adhesive applications in Japan. By region, Japan achieved strong profit growth by maximizing the benefits of a higher mix of high-value-added products and lower crude oil prices. In North America, net sales declined due to lower automobile production, although the absence of previously incurred acquisition-related costs supported profits. In China, profits increased, as growth in special lubricants offset weakness in hot melt adhesives, and restructuring expenses were no longer incurred. Southeast/South Asia also maintained profit growth through expanded sales and thorough cost controls. Overall, while net sales remained broadly flat, profit growth was driven by an improved product mix and a more favorable external environment.

FY2026/2 Earnings forecast

(Unit: JPY mn)	FY2025/2 Act	FY2026/2 Init. CE	FY2026/2 Rev. CE	YoY CHG	YoY PCT	Init.CE vs. Rev. CE
Net sales	34,374	36,500	35,000	2,126	1.8%	-4.1%
Operating profit	1,391	1,750	2,400	359	72.5%	37.1%
Ordinary profit	1,821	2,100	2,700	279	48.3%	28.6%
Net profit	1,013	1,300	1,550	287	53.0%	19.2%

Source: Compiled by SIR from the Company IR material.

On January 28, 2026, the Company revised upward its full-year consolidated earnings forecast. While net sales were revised downward to JPY 35,000 mn due to weaker demand, operating profit is now projected at JPY 2,400 mn, ordinary profit at JPY 2,700 mn, and net profit at JPY 1,550 mn, with each profit item significantly exceeding the initial forecast. The Company's gross profit margin typically lags movements in yen-based crude oil prices by approximately six months. In Q3, the benefits of lower crude oil prices since the start of the fiscal year began to be reflected in earnings to a greater extent than initially expected, constituting the primary driver behind this upward revision. In line with its target consolidated dividend payout ratio of 30% or higher, the Company plans to raise the annual dividend to JPY 55, demonstrating a proactive stance toward shareholder returns supported by strong profitability.

Medium-term Management Plan

In its 10th Medium-Term Management Plan (2024-2026), MORESCO sets as its highest priority achieving both the "realization of a sustainable society" and "increasing added value of business." Amid growing social demands for global environmental sustainability, the Company plans to contribute to sustainability and improve profitability by expanding the sales mix of MGS products, which have low environmental impact and offer high added value. Under the 9th medium-term management plan, the Company surpassed its sales target but fell far short of its profit target owing to rising crude oil prices coupled with the depreciation of the yen. The management team aims, through the steady execution of the 10th Medium-Term Management Plan, to build a management foundation resilient to changes in the external environment and translate this into sustainable growth.

10th Medium-term management plan - Business targets

Million yen		FY2024 Result	FY2026 Plan	FY2030 Target
Performance	Net sales	34,374	38,000	50,000
	Sales growth rate	8%	6%	7%
	Operating profit	1,391	2,700	5,000
	Operating profit margin	4.0%	7%	10%
	Ordinary profit	1,821	3,000	–
Capital efficiency	ROE	4.8%	8% level	10% level
	Consolidated payout ratio	40.7%	30% or more	30% or more
Non-financial targets	Sales ratio of MGS products	34%	40%	50%
	GHG emissions reduction rate *Compared to FY2013	36%	–	46%

Source: Compiled from SIR from the Company Integrated report.

To achieve these targets, MORESCO has set out the following five basic policies. Of these, the “creation of next-generation business” as new businesses, as explained on pages 9 and 10, will be the core of the Company‘s growth strategy going forward. While its strength in R&D stemming from elemental technologies in interface science remain, the business cycle and pace will be very different, and this will be a major challenge for the Company. By implementing a human resources strategy aligned with its management strategy in terms of both structuring an environment in which every member of its workforce can thrive and strengthening talent to execute long-term management strategies, the Company is honing its ability to handle diverse businesses.

10th Medium-Term Management Plan - Basic policies

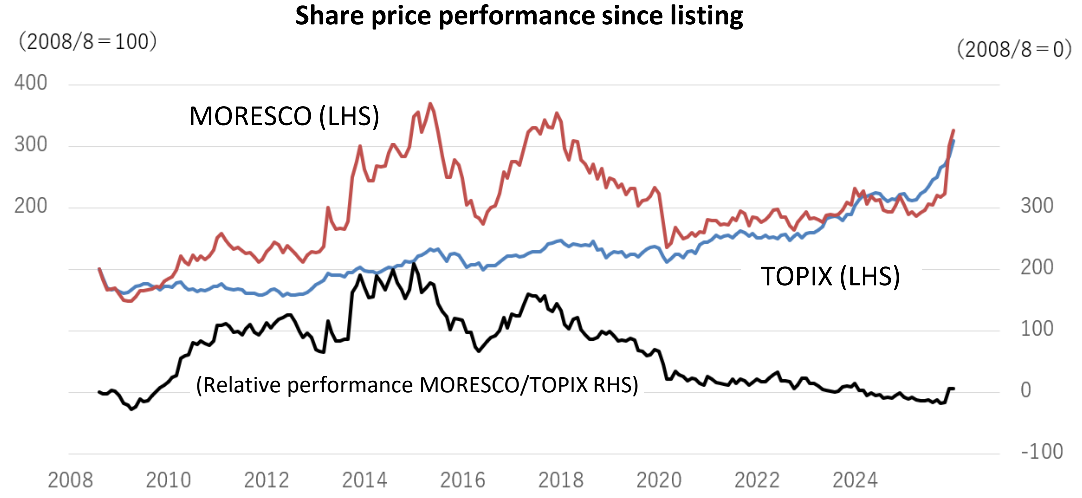
Basic policies	Major initiatives
Promotion of Sustainability Management	• Promotion of carbon neutrality · Increasing MGS product sales ratio • Efforts to reduce environmental impact
Enhancement of Our Product Portfolio	• Development and sales expansion of high-value-added products • Response to circular economy
Creation of Next-Generation Business	• Focus on life science business • Development of technology to create non-petrochemical materials • Promoting businesses related to perovskite solar cells
Innovation of Business Processes	• Innovation of production processes • Promotion of DX • Addressing logistics issues
Improvement of the Return on Capital	• Measures to improve PBR · Shareholder returns • Promotion of human capital management • Strengthening IR activities

Source: Excerpt from the Company Medium-term Management Plan.

Share Price Insights

MORESCO's share price's relative performance to the TOPIX bottomed out in 2009 and began to rise, reaching a high in 2015. It then fluctuated while remaining elevated, but fell sharply following the announcement of a downward revision to its earnings estimates in March 2020 in the wake of the COVID-19 pandemic. Since then, the Company's share price has remained lackluster, with relative performance gradually falling as its shares have been unable to keep pace with the rise of the TOPIX index.

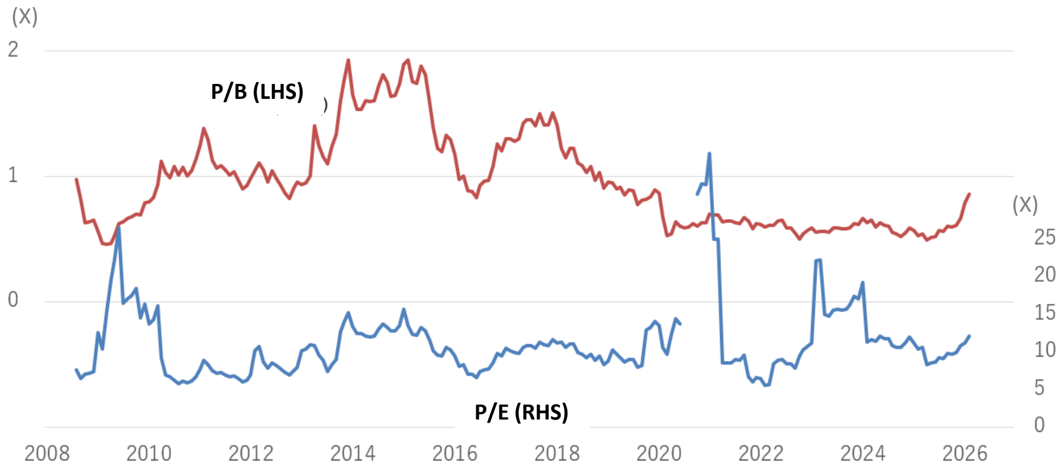
Share price performance since listing



Source: Compiled by SIR from SPEEDA data.

However, in mid-November 2025, earnings upgrades announced by competitors suggested that the operating environment for the industry was more resilient than initially expected. Subsequently, following the Company's December 12 announcement titled "Dissolution of the Chinese subsidiary accompanying a review of the global production structure," investor sentiment improved sharply, triggering a surge in the share price. SIR identifies earnings forecasts for next fiscal year, the final year of the Medium-Term Management Plan, as the next key focus. While risk factors remain, such as sharp fluctuations in crude oil prices and exchange rates driven by changes in the global geopolitical environment, SIR believes the external environment also offers tailwinds, notably increased automobile production in Asia, a recovery in production volumes in the United States, and rising demand for large-capacity data storage driven by the widespread adoption of AI.

P/E and P/B



Source: Compiled by SIR from SPEEDA data.

Appendix | Income statement

FY JPY mn, %	2022/2	2023/2	2024/2	2025/2	2026/2 CE
Total Revenue	**27,300**	**30,333**	**31,886**	**34,374**	**35,000**
Total Cost of Sales	18,575	22,204	22,902	24,414	
Cost of Sales	18,575	22,204	22,902	24,414	
Gross Profit	8,725	8,129	8,984	9,960	
Gross Margin	*32.0*	*26.8*	*28.2*	*29.0*	
Selling, General and Administrative Expenses	7,291	7,606	7,759	8,569	
Operating Profit	**1,434**	**523**	**1,225**	**1,391**	**2,400**
Operating Profit Margin	*5.3*	*1.7*	*3.8*	*4.0*	*6.9*
Non-Operating Income	602	559	714	547	
Interest and Dividends Income	37	40	47	63	
Non-Operating Expenses	26.0	36.0	113.0	117.0	
Interest Expenses	12	13	12	67	
Income from Equity Method - Non-Operating	239	148	314	221	
Ordinary Profit	**2,011**	**1,046**	**1,826**	**1,821**	**2,700**
Ordinary Profit Margin	*7.4*	*3.4*	*5.7*	*5.3*	*7.7*
Extraordinary Gains/Losses	833		229	(236)	
Extraordinary Gain	833.0		285.0		
Extraordinary Loss			56	236	
Pretax Profit	2,844	1,046	2,055	1,585	
Pretax Profit Margin	*10*	*3*	*6*	*5*	
Income Taxes	831	320	606	411	
Income Taxes - Current	653	587	534	452	
Income Taxes - Deferred	178.0	(267.0)	72.0	(41.0)	
Net Profit Attribute to parent company shareholders	**1,808**	**615**	**1,283**	**1,013**	**1,550**
Net Profit	2,013	726	1,449	1,174	
Net Profit Attribute to non-controlling shareholders	205	112	165	161	
Net Profit Margin (Attribute to parent company shareholders)	*6.6*	*2.0*	*4.0*	*2.9*	*4.4*

Source: Compiled by SIR from SPEEDA data.
Note: Figures may differ from the Company’s materials due to differences in SIR’s financial data processing and the Company’s reporting standards.

Balance sheet

FY, JPY mn	2022/2	2023/2	2024/2	2025/2
Total Assets	**29,008**	**32,017**	**37,053**	**38,297**
Current Assets	16,607	18,810	20,989	21,260
Cash Cash Equivalents And Short-term Investments	4,001	4,256	5,636	5,508
Accounts Receivables	6,844	7,595	7,942	7,005
Notes Receivable		1,235	1,324	113
Other Short-term Financial Assets				1,126
Inventories	5,326	6,306	6,687	7,126
Finished Goods and Merchandise	2,935	3,276	3,693	4,044
Other Inventories	2,391	3,030	2,994	3,082
Deferred Tax Assets – Current				
Allowance for Doubtful Accounts – Assets	(25)	(22)	(25)	(16)
Property, Plant & Equipment (PPE)	8,304	8,610	10,140	10,414
Lands	1,954	1,963	2,255	2,528
Construction In Progress	294	491	33	27
Intangible Assets	633	589	1,228	1,372
Goodwill	219	92	543	543
Investments and Other Assets	3,465	4,002	4,695	5,251
Investment Securities (inc. Subsidiaries and Affiliates)	367	520	611	654
Deferred Tax Assets - Non-Current	29	75	218	229
Allowance for Doubtful Accounts - Fixed	0	0	(1)	
Deferred Assets		6		
Total Liabilities	**8,457**	**10,778**	**13,931**	**13,288**
Current Liabilities	7,260	9,599	9,860	10,362
Trade Payables	4,308	5,144	4,908	5,000
Current Portion of Long-term Debt	461	397	791	1,071
Current Portion of Straight Bonds				
Advances Received		94	77	48
Long-Term Debt	372	570	3,145	2,017
Deferred tax liabilities - fixed				
Negative Goodwill				
Total Net Assets	**20,551**	**21,240**	**23,122**	**25,009**
Total Shareholders' Equity	17,962	18,534	20,126	21,685
Shareholders' Equity	17,227	17,287	18,202	18,714
Capital Stock	2,118	2,118	2,118	2,118
Capital Surplus	1,976	1,976	1,971	1,972
Retained Earnings	13,517	13,760	14,674	15,273
Treasury Stock	(384)	(567)	(561)	(649)
Accumulated Other Comprehensive Income	735	1,246	1,924	2,972
Valuation Difference On Available-for-sale Securities	38	74	127	145
Foreign Currency Translation Adjustments	505	879	1,200	2,210
Non-controlling interest	2,589	2,706	2,996	3,324

Source: Compiled by SIR from SPEEDA data.
Note: Figures may differ from the Company's materials due to differences in SIR's financial data processing and the Company's reporting standards.

Statements of cash flows

FY, JPY mn	2022/2	2023/2	2024/2	2025/2
Cash Flows from Operating Activities	**2,333**	**515**	**2,934**	**2,751**
Depreciation and Amortization - CF	1,210	1,236	1,188	1,295
Gain/Loss on Sale of PPE	(842)	(10)	(9)	(9)
Interest and Dividends Received - Operating CF	241	123	126	116
Interest Paid - Operating CF	(12)	(13)		(64)
Cash Flows from Investing Activities	**603**	**(1,172)**	**(4,250)**	**(1,214)**
Payments for Purchases of Securities and Investment Securities	(3)	(104)	(5)	(69)
Purchases/Sales of PPE	577	(1,273)	(2,411)	(960)
Payments for Purchases of PPE	(934)	(1,283)	(2,452)	(969)
Proceeds from Sales of PPE	1,511	10	41	9
Purchases/Sales of Intangible Assets	(31)	(60)	(265)	(175)
Cash Flows from Financial Activities	**(2,937)**	**1,227**	**2,819**	**(1,677)**
Proceeds from Short-Term Borrowings		1,884	271	
Repayments of Short-Term Borrowings	(1,955)			(154)
Increase in Long-Term Debt		500	3,536	
Repayments of Long-Term Debt	(469)	(443)	(575)	(899)
		(194)		(100)
Cash Dividends Paid	(483)	(483)	(388)	(445)
Foreign exchange adjustment	(20)	(38)	(123)	82
Changes in Cash	(21)	532	1,380	(58)
Cash & Cash Equivalent - Beginning	3,675	3,654	4,186	5,566
Cash & Cash Equivalent - Ending	**3,654**	**4,186**	**5,566**	**5,508**
Free Cash Flow (FCF)	**2,936**	**(657)**	**(1,316)**	**1,537**

Source: Compiled by SIR from SPEEDA data.
Note: Figures may differ from the Company’s materials due to differences in SIR’s financial data processing and the Company’s reporting standards.

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