

MORESCO (5018)

Consolidated Fiscal Year (Million Yen)	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY02/2021	24,479	842	1,030	518	54.09	40.00	1,695.81
FY02/2022	27,300	1,434	2,011	1,808	192.76	40.00	1,914.94
FY02/2023CoE	30,500	1,850	2,200	1,300	138.59	40.00	-
FY02/2022	YoY	11.5%	70.3%	95.3%	249.1%	-	-
FY02/2023CoE	YoY	11.7%	29.0%	9.4%	(28.1%)	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (1 June 2022)

Recovery of Autos


MORESCO, running operations of R&D, manufacture and sale for chemicals used in diverse domains with autos as the mainstay, is targeting steady increase in sales and earnings from a long-term perspective. In FY02/2022, sales and operating profit for the Company as a whole have shown V-shaped recovery. This is because the Company is steadily capturing a recovery in demand for products belonging to the key division of functional fluids mainly exposed to autos, while benefiting from ongoing sales mix improvement and progressing revision of product sales prices due to the sharp rise in raw material prices at the same time. By region, the Company has seen a significant contribution from Japan in particular. Meanwhile, the Company's midterm management plan (FY02/2022 to FY02/2024) is calling for prospective sales of ¥32,500m and operating profit of ¥2,300m for FY02/2024, the final year of the plan. In other words, the Company is aiming to achieve CAGR of 9.1% for sales and 26.6% for earnings, when setting the FY02/2022 results as the point of origin, during the two-year period toward FY02/2024. Most recently, crude oils prices are still soaring and thus raw material prices, but it appears that this will be passed on to product sales prices after a certain time lag. The other thing is the Company reveals its policy to thoroughly pursue the principles of sustainability, assuming even an implementation of business restructuring, under its revised management vision, for the sake of "realizing a sustainable society." Further, the Company is also looking to "improvement of corporate value from a long-term perspective" by means of achieving the above-mentioned performance target of the midterm management plan.

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

(81-(0)78-303-9010 / hirofumi_fujimoto@moresco.co.jp)

2.0 Company Profile

Interface Science Specialist

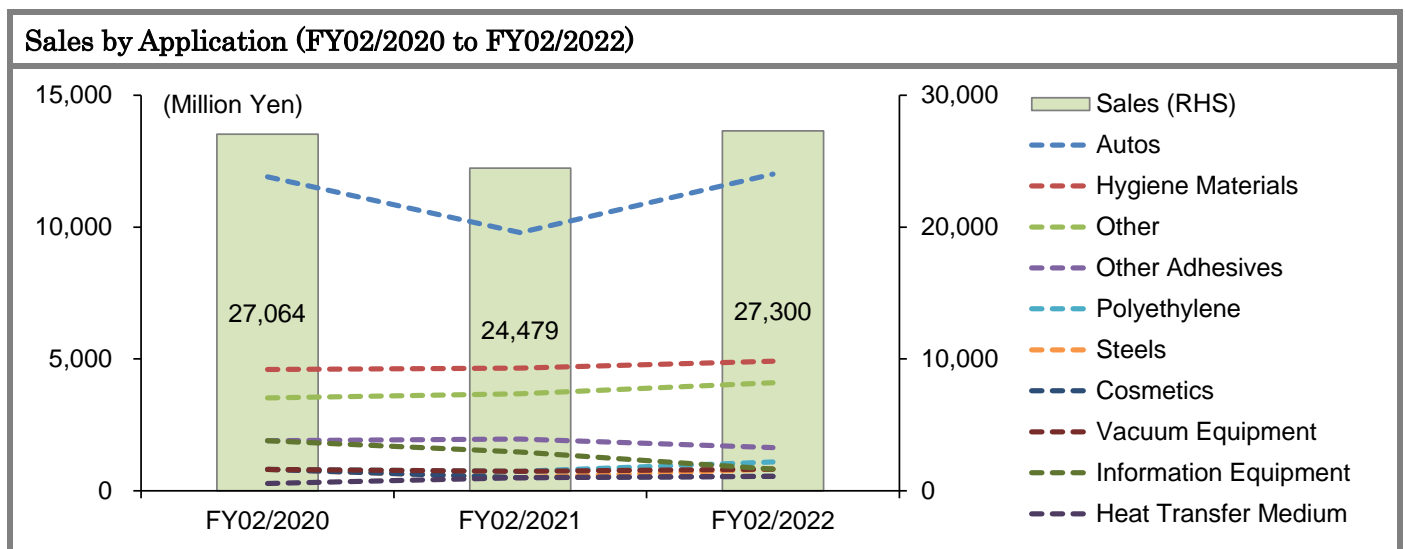
Company Name	MORESCO Corporation Company Website IR Information Share Price (Japanese) 
Established	27 October 1958
Listing	4 April 2022: Tokyo Stock Exchange Prime Market (ticker: 5018) 14 February 2011: Tokyo Stock Exchange 1st section 29 July 2008: Tokyo Stock Exchange 2nd section 13 November 2003: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

Source: Company Data

3.0 Revised Management Vision

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

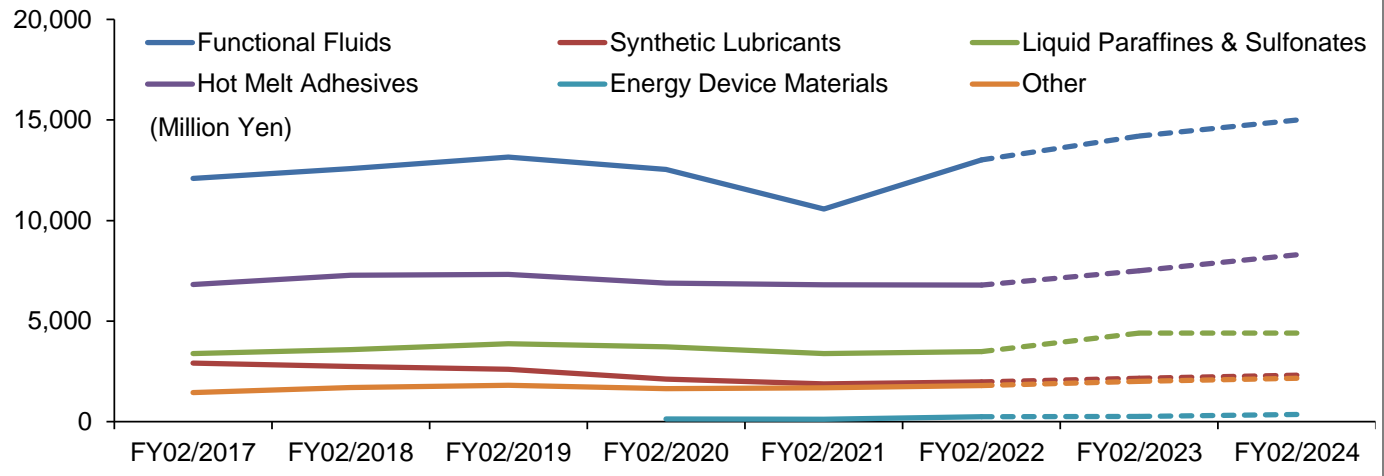
According to the announcement made on 9 March 2022, the Company, which is an independent (non-keiretsu) manufacturer of chemicals, has revised its management vision and is now going for “MORESCO Group Delivers Sustainable One-of-a-kind Products / Contributing to a Bright Future as a Specialist in Interface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



Source: Company Data, WRJ Calculation

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

Sales by Division / MORESCO 9th Midterm Management Plan (FY02/2022 to FY02/2024)



Source: Company Data, WRJ Calculation

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

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

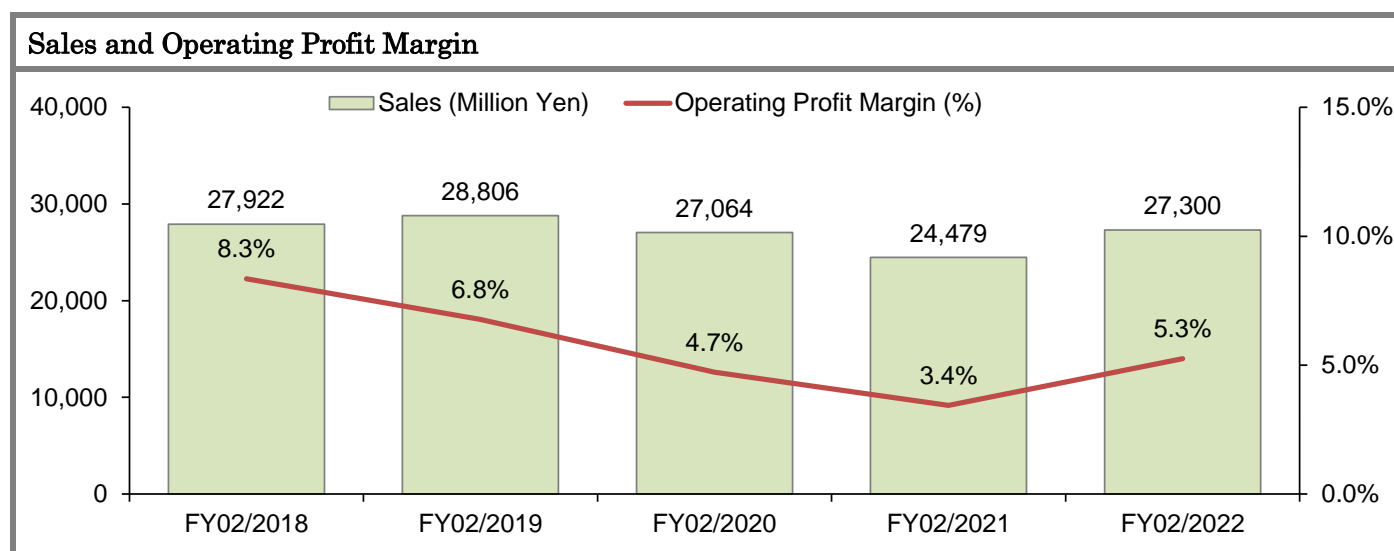
Company History (Extract)

Date	Events
October 1958	Founded by spinoff of laboratory in MATSUMURA OIL RESERCH CORP.
December 1959	Nishinomiya head office and factory constructed to productize functional fluids (e.g., vacuum pump oils) and synthetic lubricants
March 1962	Productized water-glycol fireproof fluids
December 1965	Chiba factory constructed to mass-produce liquid paraffins and petroleum sulfonates
September 1986	Akoh factory constructed to mass-produce hot melt adhesives
November 1990	Akoh factory phase two construction completed to set up production line for lubricants
June 1995	MORESCO (Thailand) CO., Ltd. Established in Chonburi, Thailand
January 2001	Head office and R&D center relocated to Chuo-ku, Kobe
March 2001	Wuxi More Tex Technology Co., Ltd. (joint company with a company based in Taiwan), established in Wuxi, China
November 2001	MORESCO Hommachi Building, constructed in chuo-ku, Osaka to relocate Osaka branch
March 2001	Phrase three construction in Akoh factory to relocate facilities represented by those of distilling lubricants from Nishinomiya factory
February 2003	MORESCO Holding (Thailand) Co., Ltd., established in Chonburi, Thailand.
November 2003	Shares registered on the over-the-counter market of Japan Securities Dealers Association (JDSA)
December 2004	Shares listed on JASDAQ market, making a cancellation for the JDSA registration
May 2006	MORESCO USA Inc., established in Michigan, United States
July 2008	Shares listed on Tokyo Stock Exchange 2nd section
May 2009	WUXI MORESCO TRADING CO., LTD., established in 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	Established MORESCO HM&LUB INDIA PRIVATE LIMITED, established in India
April 2021	Sale of MORESCO Hommachi 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

FY02/2022

In FY02/2022, sales came in at ¥27,300m (up 11.5% YoY), operating profit ¥1,434m (up 70.3%), recurring profit ¥2,011m (up 95.3%) and profit attributable to owners of parent ¥1,808m (up 249.1%), while operating profit margin 5.3% (up 1.8% points). At the same time, gross profit came in at ¥8,725m (up 11.3%) and SG&A expenses ¥7,291m (up 4.2%), implying gross profit margin of 32.0% (down 0.1% point) and SG&A expenses ratio of 26.7% (down 1.9% points).



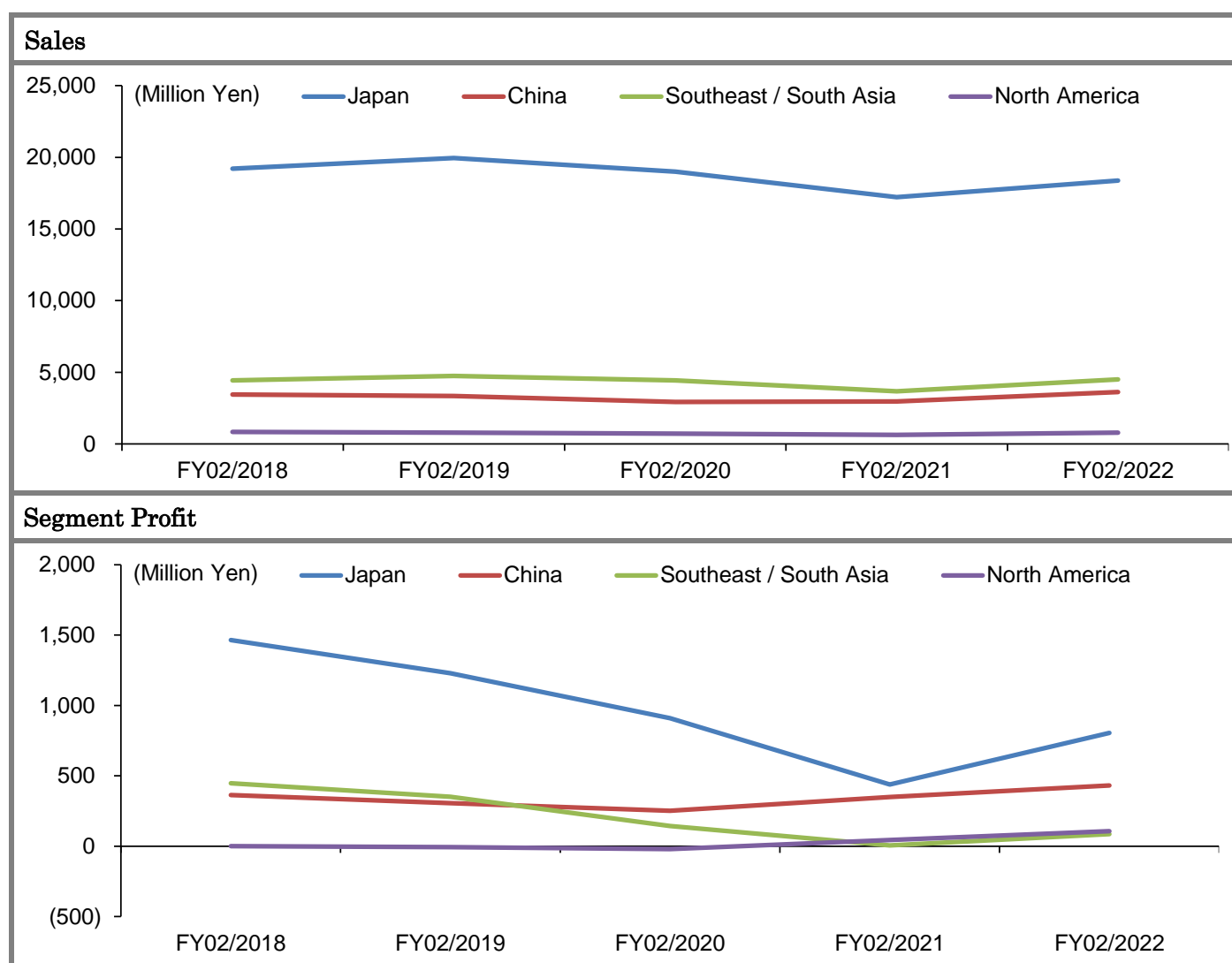
Source: Company Data, WRJ Calculation

The Company, belonging to the petrochemical industry (manufacturer of chemicals), purchases petrochemical-based materials represented by naphtha (crude gasoline) generated by distilling crude oils at ambient temperatures as raw materials for own products. Thus, the Company suggests that crude oil prices (including the impacts of changes in forex rate) are directly linked to the raw material prices. For Q4 (December to February), it appears that the Company suffered from rapid rise in crude oil prices and yen's depreciation, but it suggests that all those negative impacts are to be passed on to product sales prices after a certain time lag. Meanwhile, it appears that the impacts stemming from here were rather limited for the Company on a full-year basis for FY02/2022 in that it saw gross profit margin almost unchanged over the previous year. The Company suggests that hiking raw material prices are likely to persist for the near future, while revealing its policy to take all possible measures, including the use of alternative raw materials, multiple purchasing and strengthening of the supply chain, in addition to establishing a system to flexibly adjust product sales prices in order to respond to this.

Meanwhile, the Company benefited from lowered SG&A expenses ratio as a result of increased sales, having seen an improvement in operating profit margin to a corresponding extent, generally speaking. At the same time, the Company saw improvement by ¥389m (¥188m to ¥577m) at the non-operating level, having raised the rate of increase for recurring profit, which was due mainly to improvement in net balance of forex gain and loss by ¥372m (minus ¥125m to ¥247m). On top of this, the Company saw gain of ¥833 on sale of fixed assets (sale of MORESCO Hommachi Building in April 2021) at the extraordinary level, having further driven the rate of growth in profit attributable to owners of parent to a corresponding extent.

Performance by Segment (Region)

For the operations in Japan, the mainstay by region, sales came in at ¥18,385m (up 6.8%), segment profit ¥805m (up 83.9%) and segment profit margin 4.4% (up 1.8% points), having accounted for 67.3% of sales for the Company as a whole and 56.3% for segment profit, which suggests that there is an aspect that the Company's performance hinges on that of Japan to more than a certain extent. In fact, the Company saw V-shaped recovery in sales and operating profit for FY02/2022 due mainly to that of Japan by region. According to the Company, sales related to products in the focus areas were trending strongly, while having benefited from withdrawal from unprofitable products from a perspective of earnings.

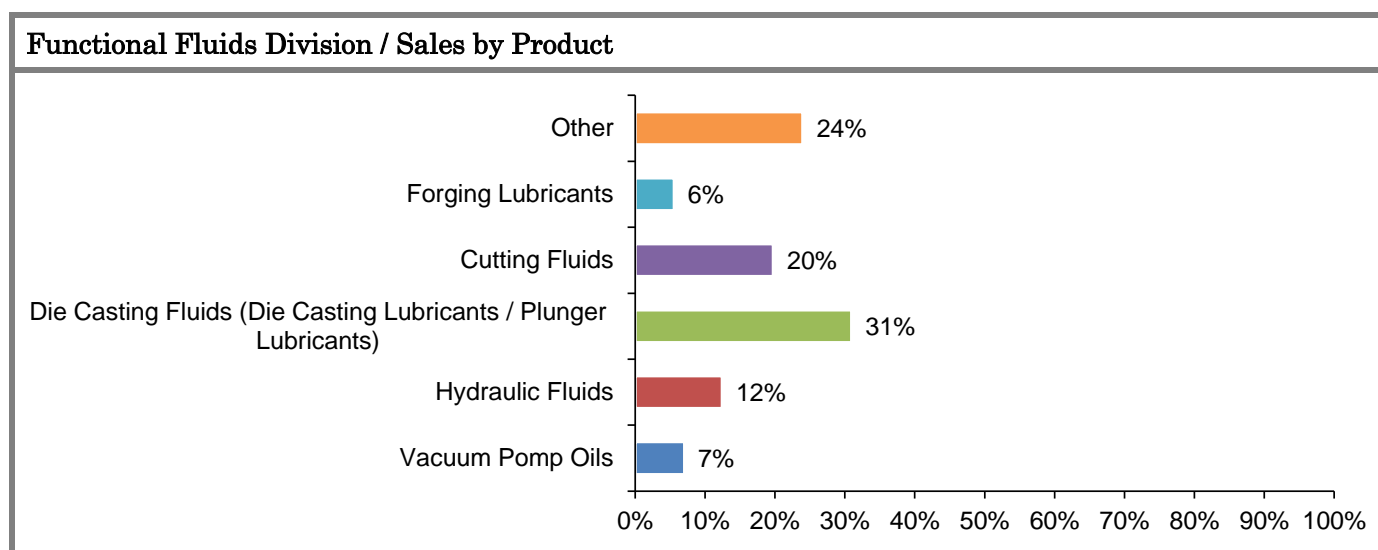


Source: Company Data, WRJ Calculation

The Company saw sales and earnings steadily increased also in its operations overseas or in China, Southeast / South Asia (Thailand, Indonesia and India) and North America. Meanwhile, the Company saw segment profit margin higher than in Japan for China and North America. i.e., 11.9% in China, 1.9% in Southeast / South Asia and 13.6% in North America versus 4.4% in Japan for FY02/2022. In Japan, the Company is developing new products based on own expertise and thus it sees expenses stemming from here also in Japan, inevitably resulting in segment profit margin lower to a corresponding extent. For example, the Company suggests that nano emulsion technology to dissolve functional materials in a much smaller size than before has a capability to greatly improve oral / transdermal absorption rate of poorly water-soluble drugs. Based on this technology, the Company is developing new products in the field of life science, while suggesting that a major healthcare company has been already making progress in its evaluations toward the adoption for its cosmetics products.

Functional Fluids Division (47.7% of Sales)

In FY02/2022, sales came in at ¥13,021m (up 23.2%). By product, vacuum pump oils saw sales of ¥925m (up 41.9%), hydraulic fluids sales of ¥1,626m (up 23.9%), die casting fluids (die casting lubricants / plunger lubricants) sales of ¥4,035m (up 21.4%), cutting fluids sales of ¥2,577m (up 34.5%), forging lubricants sales of ¥731m (up 17.9%) and other sales of ¥3,127m (up 14.0%), having achieved substantial increase across the board.

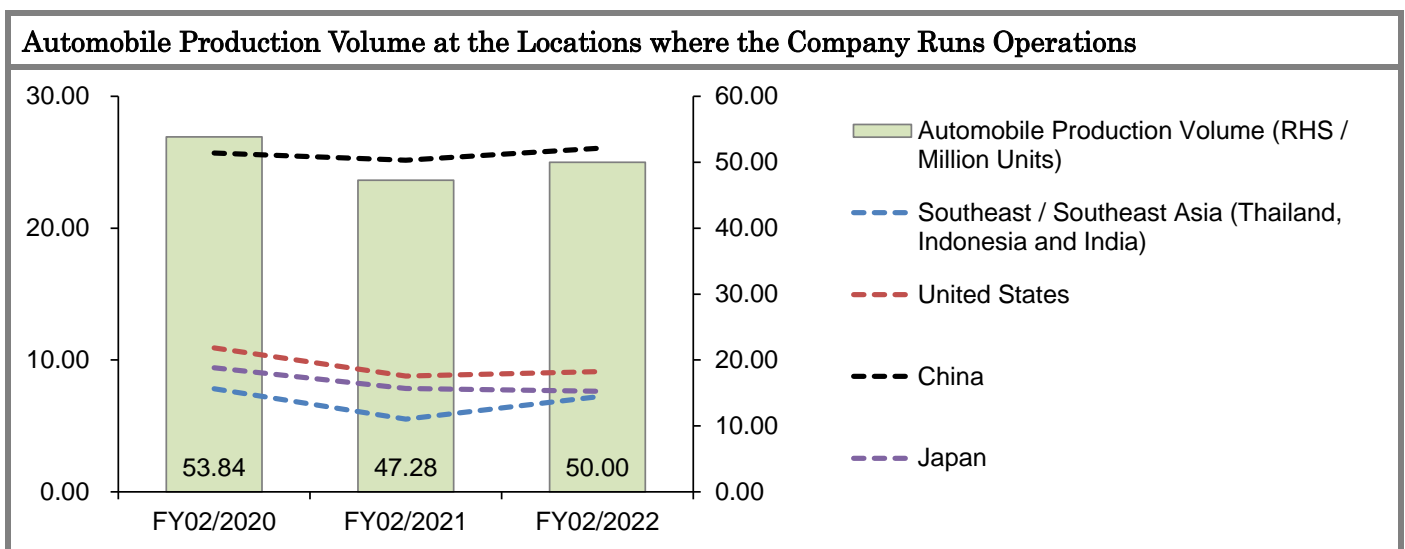


Source: Company Data, WRJ Calculation

Meanwhile, on the Functional Fluids side as a whole, the Company saw product sales volume increased by 17.0%, implying product sales prices increased by 5.3% in terms of a simple comparison with sales growth rate of 23.2% in this division. According to the Company, improvement in sales mix is going on. The other thing is we roughly estimate that sales related to autos for FY02/2022 came in at ¥12,000m (up 23%), having accounted for 44% (up 4% points) of sales for the Company as a whole, while almost all having been booked on the Functional Fluids side as far as we could see.

According to the Company, automobile production volume at the locations where it runs operations came in at 47.28m units (down 12.2% YoY) in FY02/2021, which was followed by 50.00m units (up 5.8%) in FY02/2022, having shown a shift from decrease to increase. Meanwhile, this is raised as a background for steady increase in sales related autos and thus on the Functional Fluids side. More importantly, while automobile production volume at the locations where the Company runs operations increased by 5.8% for FY02/2022, the Company's product sales volume on the Functional Fluids side increased by 17.0% as a whole, implying that the latter outperformed the former to a large extent.

For example, the Company says that product sales volume is increasing by some 50% in India where it is making steady progress in acquiring new customers. With respect to cutting fluids on which the Company focuses, it is suggested that product sales volume is surging on a global basis in line with ongoing progress in acquiring new customers across the board. As above mentioned, the Company saw increase by 34.5% in terms of changes in sales here. Elsewhere, with respect to increase in sales of vacuum pump oils and hydraulic fluids, the Company suggests that it steadily captures a recovery in demand in the market as well as benefiting from some add-ons stemming from steady progress in new customer acquisitions. At the end of the day, it should be the case that the Company is seeing increased market shares for all those products.

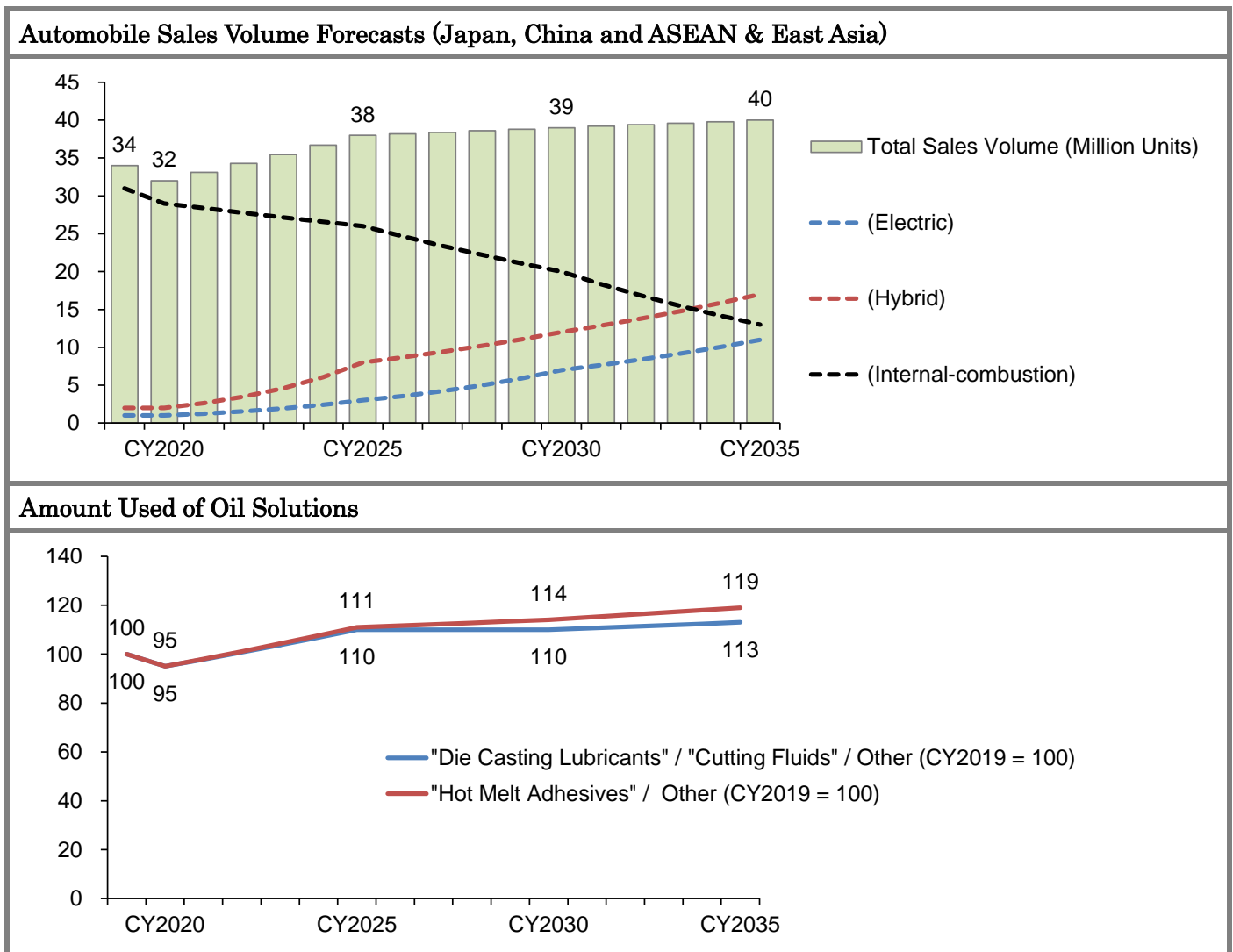


Source: Company Data (MarkLines), WRJ Calculation

In Japan, automobile production volume came in at no more than 7.62m (down 2.7% / March 2021 to February 2022) due to shortage of semiconductors and automobile parts in H2, while there was a recovery in the volume with no exceptions across the board overseas, having resulted in a shift from decrease to increase for automobile production volume at the locations where the Company runs operations as a whole. In China, the volume came in at 26.06m units (up 3.5% / January to December 2021), 9.12m units (up 4.0% / January to December 2021) for the United States and 7.20m units (up 30.7% / January to December 2021) for Southeast / South Asia (Thailand, Indonesia and India).

In the United State, automobile production volume has not recovery as much as to the level in FY02/2020, while the volume in China has already exceeded the level by 1.4% in terms of the same comparison. Nevertheless, there is a concern on China most recently in that local automobile production volume and thus the Company's performance is to be negatively affected by lockdowns in Shanghai and other areas. According to the Company, there is a possibility for the Company's performance to suffer from here for Q1 to Q2 FY02/2023 (H1 / March to August 2022), but it is suggested that Company forecasts assume normalization of automobile production volume for H2 (September 2022 to February 2023).

Meanwhile, automobile production volume at the locations where the Company runs operations is expected to continue rising gradually from a long-term perspective and thus sales related to autos for the Company. That is to say, this should be the case for prospective sales on the Functional Fluids side as well. At the moment, the Company does not disclose any specific figures for automobile production volume at the locations where it runs operation over a long-term perspective, but the data fully alternative are available as follows:



Source: Company Data (FUJI KEIZAI), WRJ Calculation

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

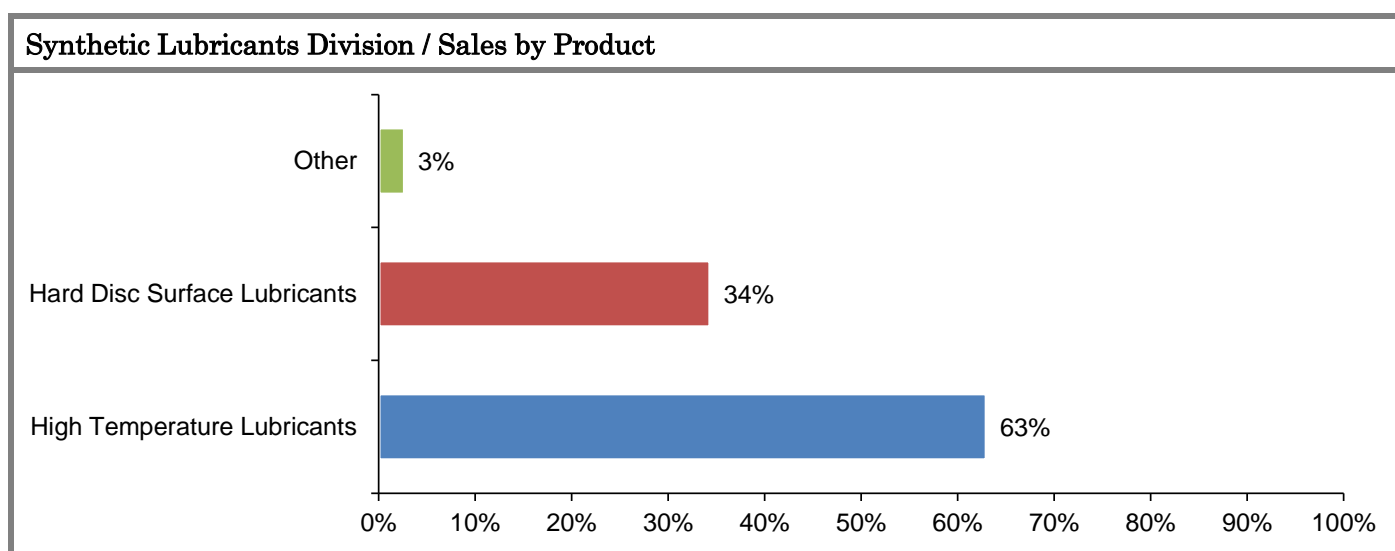
In other words, the number of units for existing internal-combustion vehicles is expected to decline for the future continuously and gradually, which will be more than compensated for by persisting expansion of electric vehicles and hybrid vehicles, resulting in upward-sloping trend for the number of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

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

For "hot melt adhesives", the Company suggests that the amount used will increase marginally faster than "die casting lubricants" and "cutting fluids." "Hot melt adhesives" in this context are those of being used for bonding interior parts and inner side of automobile body across the board, while being deeply involved with a variety of products that enable bonding between different materials. On top of this, the Company also says that it places the utmost emphasis to focus on products that contain the least volatile organic compounds which are believed to affect the environment and human health. Meanwhile, sales of "hot melt adhesives" are not included on the Functional Fluids side, but on the Hot Melt Adhesives side where sales comprise hygiene hot metal adhesives (71% of total), general hot melt adhesives (13%) and other (17%) as to be mentioned later on, while sales of "hot melt adhesives" related to autos discussed here comprise some part of "other", according to the Company.

Synthetic Lubricants Division (7.2% of Sales)

In FY02/2022, sales came in at ¥1,974m (up 5.5%). By product, high temperature lubricants saw sales of ¥1,243m (up 29.5%), hard disc surface lubricants sales of ¥678m (down 22.9%) and other sales of ¥53m (up 23.3%). The mainstay high temperature lubricants achieved a significant increase in sales, but sales on the Synthetic Lubricants side saw a rather limited increase as a whole, due to sluggish sales of hard disc surface lubricants.



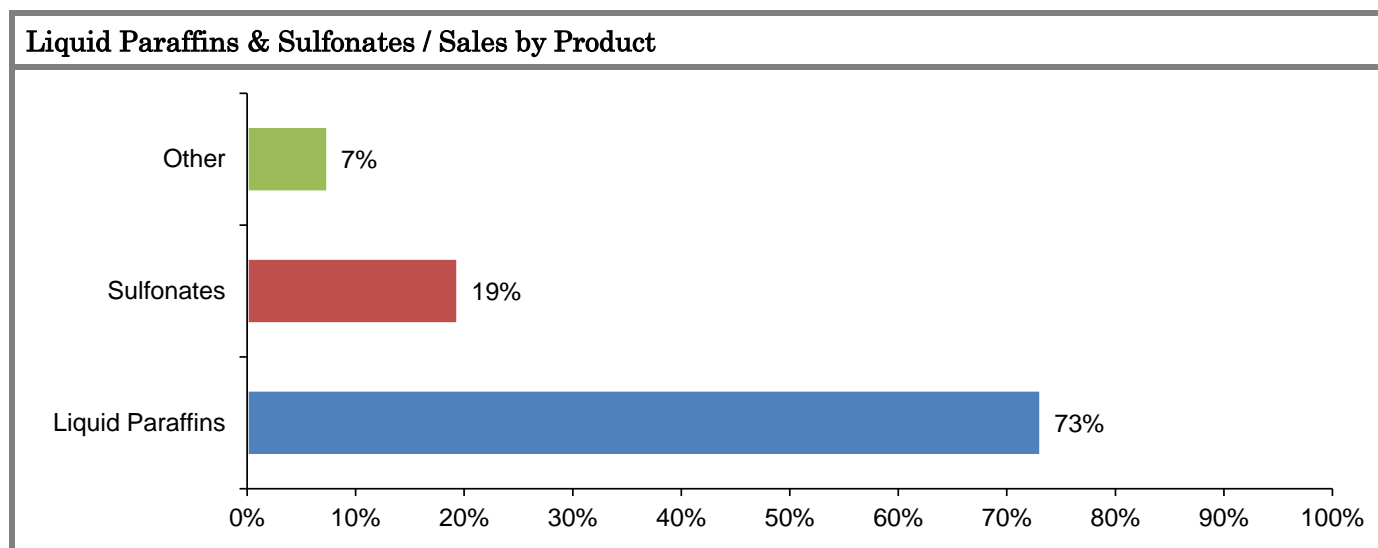
Source: Company Data, WRJ Calculation

High temperature lubricants are defined as "base oils or greases for bearings of automobile electric components utilized under a high temperature environment." On top of sales related to autos, they are also adopted in extensive fields often under a harsh environment, including bearings of OA equipment, bakery ovens and drivers for drying furnaces, for instance. For FY02/2022, demand for the Company's high temperature lubricants showed a recovery of demand, even in Japan where automobile production volume was sluggish, while demand in China was showing robust trends, according to the Company.

Meanwhile, hard disc surface lubricants are defined as "special lubricants that lubricate the gaps between magnetic disks and magnetic heads of HDDs embedded in PCs and other devices." For FY02/2022, there was a shift from HDDs (Hard Disk Drives) to SSDs (Solid State Drives / incorporating flash memory as storage media) in the market, which had inevitably a negative impact to sales with the Company. Still, going forward, the Company is to benefit from its strategy to encourage adoptions for HDDs related to data centers, where demand for HDDs is likely to remain firm from a long-term perspective and thus hard disc surface lubricants as well.

Liquid Paraffins & Sulfonates Division (12.7% of Sales)

In FY02/2022, sales came in at ¥3,480m (up 2.8%). By product, liquid paraffins saw sales of ¥2,545m (down 1.6%), sulfonates sales of ¥676m (up 24.7%) and other sales of ¥259m (up 1.2%). In fact, sales of the mainstay liquid paraffins were forced to decline, albeit slightly, but this had a lot to do with the Company's strategy to pull out of unprofitable products to a large extent. In other words, the Company suggests that it saw improvement in sales mix here and improvement also in earnings.

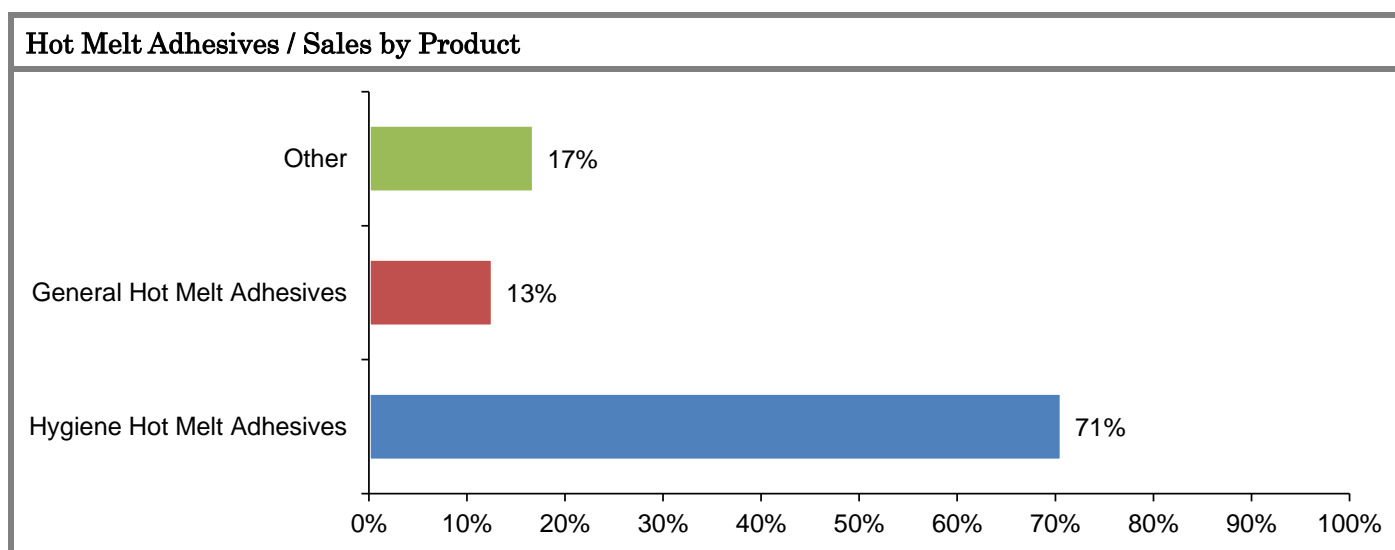


Source: Company Data, WRJ Calculation

For liquid paraffins, sales related to polystyrene plasticizers and sales related to cosmetics (skincare / haircare products, lip rouges, baby oils, etc.). Meanwhile, with respect to sulfonates often used as additives for metalworking oils, the Company says that it has steadily captured a recovery in demand, while having nicely made progress in acquiring new customers in Japan and overseas.

Hot Melt Adhesives Division (24.9% of Sales)

In FY02/2022, sales came in at ¥6,785m (down 0.3%). By product, hygiene hot melt adhesives saw sales of ¥4.791m (up 4.5%), general hot melt adhesives sales of ¥855m (down 7.0%) and sales of other ¥1,139m (down 12.6%).



Source: Company Data, WRJ Calculation

Sales of hygiene (disposable diapers) hot melt adhesives were driven mainly by surging sales volume in India, where the operations of newly deliver to a local manufacturer of disposable diapers for newborn babies is taking off rapidly. However, sales in Japan were stagnated as demand for disposable diapers for elderly people was slowing in line with the restrictions on outings accompanying the Emergency Declaration. At the end of the day, sales related to such application as a whole have failed to increase fast.

Meanwhile, sales of general hot melt adhesives and other slowed down due mainly to declining demand in China. For example, sales were surging for general hot melt adhesives applied for filters of air purifiers made in China in FY02/2021, which did not reappear in FY02/2022, according to the Company.

FY02/2022 Company Forecasts and Actual Results

Consolidated Fiscal Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
FY02/2022CoE	13-Apr-21	Q4 Results	25,830	1,170	1,470	1,200
FY02/2022CoE	13-Jul-21	Q1 Results	25,830	1,170	1,470	1,200
FY02/2022CoE	13-Oct-21	Q2 Results	26,870	1,560	1,900	1,670
		Amount of Gap	1,040	390	430	470
		Rate of Gap	4.0%	33.3%	29.3%	39.2%
FY02/2022CoE	13-Jan-22	Q3 Results	26,870	1,560	1,900	1,670
FY02/2022CoE	22-Feb-22	Revision	27,400	1,560	2,050	1,900
		Amount of Gap	530	0	150	230
		Rate of Gap	2.0%	0.0%	7.9%	13.8%
FY02/2022Act	12-Apr-22	Q4 Results	27,300	1,434	2,011	1,808
		Amount of Gap	(100)	(126)	(39)	(92)
		Rate of Gap	(0.4%)	(8.1%)	(1.9%)	(4.8%)
FY02/2022CoE	13-Apr-21	Q4 Results	25,830	1,170	1,470	1,200
FY02/2022Act	12-Apr-22	Q4 Results	27,300	1,434	2,011	1,808
		Amount of Gap	1,470	264	541	608
		Rate of Gap	5.7%	22.6%	36.8%	50.7%
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q1 to Q2 FY02/2022CoE	13-Apr-21	Q4 Results	-	-	-	-
Q1 to Q2 FY02/2022CoE	13-Jul-21	Q1 Results	-	-	-	-
Q1 to Q2 FY02/2022Act	13-Oct-21	Q2 Results	13,366	923	1,163	1,359
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Q1 to Q2 FY02/2022CoE	13-Apr-21	Q4 Results	-	-	-	-
Q1 to Q2 FY02/2022Act	13-Oct-21	Q2 Results	13,366	923	1,163	1,359
		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 FY02/2022CoE	13-Apr-21	Q4 Results	-	-	-	-
Q3 to Q4 FY02/2022CoE	13-Jul-21	Q1 Results	-	-	-	-
Q3 to Q4 FY02/2022CoE	13-Oct-21	Q2 Results	13,504	637	737	311
Q3 to Q4 FY02/2022CoE	13-Jan-22	Q3 Results	13,504	637	737	311
Q3 to Q4 FY02/2022CoE	22-Feb-22	Revision	14,034	637	887	541
		Amount of Gap	530	0	150	230
		Rate of Gap	3.9%	0.0%	20.4%	74.0%
Q3 to Q4 FY02/2022Act	12-Apr-22	Q4 Results	13,934	511	848	449
		Amount of Gap	(100)	(126)	(39)	(92)
		Rate of Gap	(0.7%)	(19.8%)	(4.4%)	(17.0%)
Q3 to Q4 FY02/2022CoE	13-Oct-21	Q2 Results	13,504	637	737	311
Q3 to Q4 FY02/2022Act	12-Apr-22	Q4 Results	13,934	511	848	449
		Amount of Gap	430	(126)	111	138
		Rate of Gap	3.2%	(19.8%)	15.1%	44.4%

Source: Company Data, WRJ Calculation

Income Statement (Cumulative / Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	02/2021	02/2021	02/2021	02/2021	02/2022	02/2022	02/2022	02/2022	02/2022	
Sales	5,884	11,348	17,968	24,479	6,656	13,366	20,415	27,300		+2,821
Cost of Sales	3,978	7,812	12,155	16,640	4,332	8,822	13,643	18,575		+1,935
Gross Profit	1,905	3,536	5,813	7,838	2,324	4,544	6,772	8,725		+887
SG&A Expenses	1,763	3,436	5,172	6,996	1,805	3,621	5,397	7,291		+295
Operating Profit	142	100	641	842	520	923	1,375	1,434		+592
Non Operating Balance	(118)	(42)	15	188	201	240	357	577		+389
Recurring Profit	24	58	656	1,030	721	1,163	1,732	2,011		+981
Extraordinary Balance	-	-	(20)	(119)	834	833	833	833		+952
Profit before Income Taxes	24	58	636	911	1,555	1,996	2,565	2,844		+1,933
Total Income Taxes	32	99	237	240	379	527	685	831		+591
Profit Attributable to Non-Controlling Interests	9	49	96	153	81	110	150	205		+52
Profit Attributable to Owners of Parent	(17)	(90)	303	518	1,095	1,359	1,730	1,808		+1,290
Sales YoY	(13.2%)	(16.2%)	(12.1%)	(9.6%)	+13.1%	+17.8%	+13.6%	+11.5%		-
Operating Profit YoY	(54.0%)	(84.5%)	(40.7%)	(34.1%)	+265.0%	+820.0%	+114.5%	+70.3%		-
Recurring Profit YoY	(93.7%)	(92.1%)	(45.8%)	(34.3%)	-	-	+164.0%	+95.3%		-
Profit Attributable to Owners of Parent YoY	-	-	(49.9%)	(33.3%)	-	-	+471.0%	+249.1%		-
Gross Profit Margin	32.4%	31.2%	32.4%	32.0%	34.9%	34.0%	33.2%	32.0%		(0.1%)
SG&A Expenses Ratio	30.0%	30.3%	28.8%	28.6%	27.1%	27.1%	26.4%	26.7%		(1.9%)
Operating Profit Margin	2.4%	0.9%	3.6%	3.4%	7.8%	6.9%	6.7%	5.3%		+1.8%
Recurring Profit Margin	0.4%	0.5%	3.7%	4.2%	10.8%	8.7%	8.5%	7.4%		+3.2%
Profit Attributable to Owners of Parent Margin	(0.3%)	(0.8%)	1.7%	2.1%	16.5%	10.2%	8.5%	6.6%		+4.5%
Total Income Taxes / Profit before Income Taxes	133.3%	170.7%	37.3%	26.3%	24.4%	26.4%	26.7%	29.2%		+2.9%
Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	02/2021	02/2021	02/2021	02/2021	02/2022	02/2022	02/2022	02/2022	02/2022	
Sales	5,884	5,464	6,620	6,511	6,656	6,710	7,049	6,885		+374
Cost of Sales	3,978	3,834	4,343	4,485	4,332	4,490	4,821	4,932		+447
Gross Profit	1,905	1,631	2,277	2,025	2,324	2,220	2,228	1,953		(72)
SG&A Expenses	1,763	1,673	1,736	1,824	1,805	1,816	1,776	1,894		+70
Operating Profit	142	(42)	541	201	520	403	452	59		(142)
Non Operating Balance	(118)	76	57	173	201	39	117	220		+47
Recurring Profit	24	34	598	374	721	442	569	279		(95)
Extraordinary Balance	-	-	(20)	(99)	834	(1)	-	-		+99
Profit before Income Taxes	24	34	578	275	1,555	441	569	279		+4
Total Income Taxes	32	67	138	3	379	148	158	146		+143
Profit Attributable to Non-Controlling Interests	9	40	47	57	81	29	40	55		(2)
Profit Attributable to Owners of Parent	(17)	(73)	393	215	1,095	264	371	78		(137)
Sales YoY	(13.2%)	(19.3%)	(4.0%)	(1.6%)	+13.1%	+22.8%	+6.5%	+5.7%		-
Operating Profit YoY	(54.0%)	-	+25.2%	+1.0%	+265.0%	-	(16.5%)	(70.6%)		-
Recurring Profit YoY	(93.7%)	(90.4%)	+25.4%	+4.5%	-	-	(4.8%)	(25.4%)		-
Profit Attributable to Owners of Parent YoY	-	-	+48.9%	+25.7%	-	-	(5.6%)	(63.7%)		-
Gross Profit Margin	32.4%	29.8%	34.4%	31.1%	34.9%	33.1%	31.6%	28.4%		(2.7%)
SG&A Expenses Ratio	30.0%	30.6%	26.2%	28.0%	27.1%	27.1%	25.2%	27.5%		(0.5%)
Operating Profit Margin	2.4%	(0.8%)	8.2%	3.1%	7.8%	6.0%	6.4%	0.9%		(2.2%)
Recurring Profit Margin	0.4%	0.6%	9.0%	5.7%	10.8%	6.6%	8.1%	4.1%		(1.7%)
Profit Attributable to Owners of Parent Margin	(0.3%)	(1.3%)	5.9%	3.3%	16.5%	3.9%	5.3%	1.1%		(2.2%)
Total Income Taxes / Profit before Income Taxes	133.3%	197.1%	23.9%	1.1%	24.4%	33.6%	27.8%	52.3%		+51.2%

Source: Company Data, WRJ Calculation

Segmented Information (Cumulative / Quarterly)

Segmented Information	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	YoY	
(Million Yen)	02/2021	02/2021	02/2021	02/2021	02/2022	02/2022	02/2022	02/2022	02/2022	Net Chg.
Japan	4,123	8,029	12,807	17,220	4,537	9,053	13,843	18,385		+1,165
China	497	1,189	2,042	2,957	830	1,677	2,612	3,625		+668
Southeast / South Asia	1,066	1,857	2,667	3,671	1,080	2,205	3,345	4,501		+830
North America	198	274	452	631	209	432	615	789		+158
Sales	5,884	11,348	17,968	24,479	6,656	13,366	20,415	27,300		+2,821
Japan	69	(8)	381	438	325	558	837	805		+367
China	7	84	215	350	113	235	327	432		+82
Southeast / South Asia	48	12	3	6	50	63	102	86		+80
North America	28	15	40	43	35	76	101	107		+64
Segment Profit	153	103	640	837	523	932	1,367	1,431		+594
Adjustments	(10)	(3)	2	5	(3)	(9)	7	4		(1)
Operating Profit	142	100	641	842	520	923	1,375	1,434		+592
Japan	1.7%	(0.1%)	3.0%	2.5%	7.2%	6.2%	6.0%	4.4%		+1.8%
China	1.4%	7.1%	10.5%	11.8%	13.6%	14.0%	12.5%	11.9%		+0.1%
Southeast / South Asia	4.5%	0.6%	0.1%	0.2%	4.6%	2.9%	3.0%	1.9%		+1.7%
North America	14.1%	5.5%	8.8%	6.8%	16.7%	17.6%	16.4%	13.6%		+6.7%
Adjustments	(0.2%)	(0.0%)	0.0%	0.0%	(0.0%)	(0.1%)	0.0%	0.0%		(0.0%)
Operating Profit Margin	2.4%	0.9%	3.6%	3.4%	7.8%	6.9%	6.7%	5.3%		+1.8%

Segmented Information	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	YoY	
(Million Yen)	02/2021	02/2021	02/2021	02/2021	02/2022	02/2022	02/2022	02/2022	02/2022	Net Chg.
Japan	4,123	3,906	4,778	4,413	4,537	4,516	4,790	4,542		+129
China	497	692	853	915	830	847	935	1,013		+98
Southeast / South Asia	1,066	791	810	1,004	1,080	1,125	1,140	1,156		+152
North America	198	76	178	179	209	223	183	174		(5)
Sales	5,884	5,464	6,620	6,511	6,656	6,710	7,049	6,885		+374
Japan	69	(77)	389	57	325	233	279	(32)		(89)
China	7	77	131	135	113	122	92	105		(30)
Southeast / South Asia	48	(36)	(9)	3	50	13	39	(16)		(19)
North America	28	(13)	25	3	35	41	25	6		+3
Segment Profit	153	(50)	537	197	523	409	435	64		(133)
Adjustments	(10)	7	5	3	(3)	(6)	16	(3)		(6)
Operating Profit	142	(42)	541	201	520	403	452	59		(142)
Japan	1.7%	(2.0%)	8.1%	1.3%	7.2%	5.2%	5.8%	(0.7%)		(2.0%)
China	1.4%	11.1%	15.4%	14.8%	13.6%	14.4%	9.8%	10.4%		(4.4%)
Southeast / South Asia	4.5%	(4.6%)	(1.1%)	0.3%	4.6%	1.2%	3.4%	(1.4%)		(1.7%)
North America	14.1%	(17.1%)	14.0%	1.7%	16.7%	18.4%	13.7%	3.4%		+1.8%
Adjustments	(0.2%)	0.1%	0.1%	0.0%	(0.0%)	(0.1%)	0.2%	(0.0%)		(0.1%)
Operating Profit Margin	2.4%	(0.8%)	8.2%	3.1%	7.8%	6.0%	6.4%	0.9%		(2.2%)

Source: Company Data, WRJ Calculation

Sales by Business Division (Cumulative / Quarterly)

Sales by Business Division	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	02/2021	02/2021	02/2021	02/2021	02/2022	02/2022	02/2022	02/2022	02/2022	
Functional Fluids	2,464	4,647	7,617	10,566	3,083	6,341	9,687	13,021		+2,455
Synthetic Lubricants	525	917	1,428	1,872	503	1,033	1,529	1,974		+102
Liquid Paraffines & Sulfonates	862	1,739	2,514	3,385	807	1,672	2,579	3,480		+95
Hot Melt Adhesives	1,625	3,301	5,058	6,807	1,671	3,325	5,086	6,785		(22)
Energy Device Materials	22	42	79	113	57	128	198	237		+124
Other	372	675	1,232	1,682	528	859	1,328	1,794		+112
Chemical Business	5,870	11,321	17,928	24,425	6,648	13,358	20,407	27,292		+2,867
Rental Building Business	13	27	40	53	8	8	8	8		(45)
Sales	5,884	11,348	17,968	24,479	6,656	13,366	20,415	27,300		+2,821
Functional Fluids	(21.5%)	(25.7%)	(20.0%)	(15.7%)	+25.1%	+36.5%	+27.2%	+23.2%		-
Synthetic Lubricants	+11.4%	(15.9%)	(13.2%)	(11.5%)	(4.3%)	+12.6%	+7.0%	+5.5%		-
Liquid Paraffines & Sulfonates	(10.6%)	(10.1%)	(11.1%)	(9.0%)	(6.4%)	(3.9%)	+2.6%	+2.8%		-
Hot Melt Adhesives	(5.5%)	(2.3%)	(2.1%)	(1.1%)	+2.8%	+0.7%	+0.5%	(0.3%)		-
Energy Device Materials	-	-	-	(10.3%)	+159.6%	+202.2%	+149.4%	+109.9%		-
Other	(9.8%)	(12.5%)	+9.0%	+3.3%	+41.8%	+27.3%	+7.8%	+6.6%		-
Chemical Business	(13.2%)	(16.3%)	(12.1%)	(9.6%)	+13.2%	+18.0%	+13.8%	+11.7%		-
Rental Building Business	0.0%	0.0%	0.0%	0.0%	(36.7%)	(68.3%)	(78.9%)	(84.2%)		-
Sales (YoY)	(13.2%)	(16.2%)	(12.1%)	(9.6%)	+13.1%	+17.8%	+13.6%	+11.5%		-
Functional Fluids	41.9%	40.9%	42.4%	43.2%	46.3%	47.4%	47.5%	47.7%		-
Synthetic Lubricants	8.9%	8.1%	7.9%	7.6%	7.6%	7.7%	7.5%	7.2%		-
Liquid Paraffines & Sulfonates	14.6%	15.3%	14.0%	13.8%	12.1%	12.5%	12.6%	12.7%		-
Hot Melt Adhesives	27.6%	29.1%	28.2%	27.8%	25.1%	24.9%	24.9%	24.9%		-
Energy Device Materials	0.4%	0.4%	0.4%	0.5%	0.9%	1.0%	1.0%	0.9%		-
Other	6.3%	5.9%	6.9%	6.9%	7.9%	6.4%	6.5%	6.6%		-
Chemical Business	99.8%	99.8%	99.8%	99.8%	99.9%	99.9%	100.0%	100.0%		-
Rental Building Business	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%	0.0%	0.0%		-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		-
Sales by Business Division	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY	
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Net Chg.	
	02/2021	02/2021	02/2021	02/2021	02/2022	02/2022	02/2022	02/2022		
Functional Fluids	2,464	2,183	2,970	2,949	3,083	3,258	3,346	3,334		+385
Synthetic Lubricants	525	392	511	444	503	530	496	445		+1
Liquid Paraffines & Sulfonates	862	877	775	871	807	865	907	901		+30
Hot Melt Adhesives	1,625	1,676	1,757	1,749	1,671	1,654	1,761	1,699		(50)
Energy Device Materials	22	20	37	34	57	71	70	39		+5
Other	372	303	557	450	528	331	469	466		+16
Chemical Business	5,870	5,451	6,607	6,497	6,648	6,710	7,049	6,885		+388
Rental Building Business	13	14	13	13	8	-	-	-		(13)
Sales	5,884	5,464	6,620	6,511	6,656	6,710	7,049	6,885		+374
Functional Fluids	(21.5%)	(29.9%)	(9.2%)	(2.2%)	+25.1%	+49.2%	+12.7%	+13.1%		-
Synthetic Lubricants	+11.4%	(36.6%)	(8.1%)	(5.3%)	(4.3%)	+35.2%	(2.9%)	+0.2%		-
Liquid Paraffines & Sulfonates	(10.6%)	(9.5%)	(13.1%)	(2.6%)	(6.4%)	(1.4%)	+17.0%	+3.4%		-
Hot Melt Adhesives	(5.5%)	+1.0%	(1.7%)	+1.9%	+2.8%	(1.3%)	+0.2%	(2.9%)		-
Energy Device Materials	-	-	-	-	+159.6%	+255.0%	+89.2%	+14.7%		-
Other	(9.8%)	(23.7%)	+47.7%	+16.3%	+41.8%	+9.2%	(15.8%)	+3.6%		-
Chemical Business	(13.2%)	(19.3%)	(4.1%)	(1.7%)	+13.2%	+23.1%	+6.7%	+6.0%		-
Rental Building Business	0.0%	0.0%	0.0%	0.0%	(36.7%)	-	-	-		-
Sales (YoY)	(13.2%)	(19.3%)	(4.0%)	(1.6%)	+13.1%	+22.8%	+6.5%	+5.7%		-
Functional Fluids	41.9%	40.0%	44.9%	45.3%	46.3%	48.6%	47.5%	48.4%		-
Synthetic Lubricants	8.9%	7.2%	7.7%	6.8%	7.6%	7.9%	7.0%	6.5%		-
Liquid Paraffines & Sulfonates	14.6%	16.1%	11.7%	13.4%	12.1%	12.9%	12.9%	13.1%		-
Hot Melt Adhesives	27.6%	30.7%	26.5%	26.9%	25.1%	24.6%	25.0%	24.7%		-
Energy Device Materials	0.4%	0.4%	0.6%	0.5%	0.9%	1.1%	1.0%	0.6%		-
Other	6.3%	5.5%	8.4%	6.9%	7.9%	4.9%	6.7%	6.8%		-
Chemical Business	99.8%	99.8%	99.8%	99.8%	99.9%	100.0%	100.0%	100.0%		-
Rental Building Business	0.2%	0.3%	0.2%	0.2%	0.1%	0.0%	0.0%	0.0%		-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		-

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 02/2021	Q2 02/2021	Q3 02/2021	Q4 02/2021	Q1 02/2022	Q2 02/2022	Q3 02/2022	Q4 02/2022		
Cash and Deposit	4,183	4,128	3,350	4,108	4,521	3,988	4,090	4,001	(107)	
Accounts Receivables	5,978	5,286	6,344	6,643	6,479	6,337	6,800	6,844	+201	
Inventory	4,748	4,556	4,440	4,242	4,665	4,869	5,043	5,326	+1,084	
Other	455	370	365	311	545	413	343	436	+125	
Current Assets	15,364	14,340	14,499	15,304	16,210	15,607	16,276	16,607	+1,303	
Tangible Assets	8,773	8,732	8,519	8,518	7,811	7,842	7,954	8,304	(214)	
Intangible Assets	974	911	853	792	742	706	672	633	(159)	
Investments and Other Assets	2,654	2,627	2,805	3,093	3,238	3,182	3,320	3,465	+372	
Fixed Assets	12,402	12,270	12,177	12,403	11,791	11,730	11,947	12,401	(2)	
Total Assets	27,766	26,610	26,676	27,707	28,001	27,337	28,223	29,008	+1,301	
Accounts Payables	3,782	2,873	3,538	3,975	3,925	3,762	4,151	4,308	+333	
Short Term Debt	2,994	3,053	2,231	2,544	1,119	566	553	560	(1,984)	
Other	1,822	1,498	1,614	1,602	2,223	2,065	2,453	2,392	+790	
Current Liabilities	8,598	7,424	7,383	8,121	7,267	6,393	7,157	7,260	(861)	
Long Term Debt	1,120	1,005	890	775	660	545	430	350	(425)	
Other	583	612	589	649	568	587	590	847	+198	
Fixed Liabilities	1,703	1,617	1,479	1,424	1,228	1,132	1,020	1,197	(227)	
Total Liabilities	10,301	9,041	8,862	9,545	8,495	7,525	8,178	8,457	(1,088)	
Shareholders' Equity	15,681	15,617	15,866	15,836	16,697	16,966	17,150	17,227	+1,391	
Other	1,784	1,952	1,948	2,327	2,809	2,846	2,896	3,324	+997	
Net Assets	17,465	17,569	17,814	18,163	19,506	19,812	20,046	20,551	+2,388	
Total Liabilities & Net Assets	27,766	26,610	26,676	27,707	28,001	27,337	28,223	29,008	+1,301	
Equity Capital	15,387	15,410	15,646	15,899	17,096	17,381	17,586	17,962	+2,063	
Interest Bearing Debt	4,114	4,058	3,121	3,319	1,779	1,111	983	910	(2,409)	
Net Debt	(69)	(70)	(229)	(789)	(2,742)	(2,877)	(3,107)	(3,091)	(2,302)	
Equity Ratio	55.4%	57.9%	58.7%	57.4%	61.1%	63.6%	62.3%	61.9%	-	
Net Debt Equity Ratio	(0.4%)	(0.5%)	(1.5%)	(5.0%)	(16.0%)	(16.6%)	(17.7%)	(17.2%)	-	
ROE (12 months)	3.7%	2.2%	3.0%	3.3%	10.0%	12.0%	11.7%	10.7%	-	
ROA (12 months)	4.3%	3.3%	3.7%	3.7%	6.2%	7.9%	7.7%	7.1%	-	
Days for Inventory Turnover	108	108	93	86	98	98	95	98	-	
Quick Ratio	118%	127%	131%	132%	151%	162%	152%	149%	-	
Current Ratio	179%	193%	196%	188%	223%	244%	227%	229%	-	

Source: Company Data, WRJ Calculation

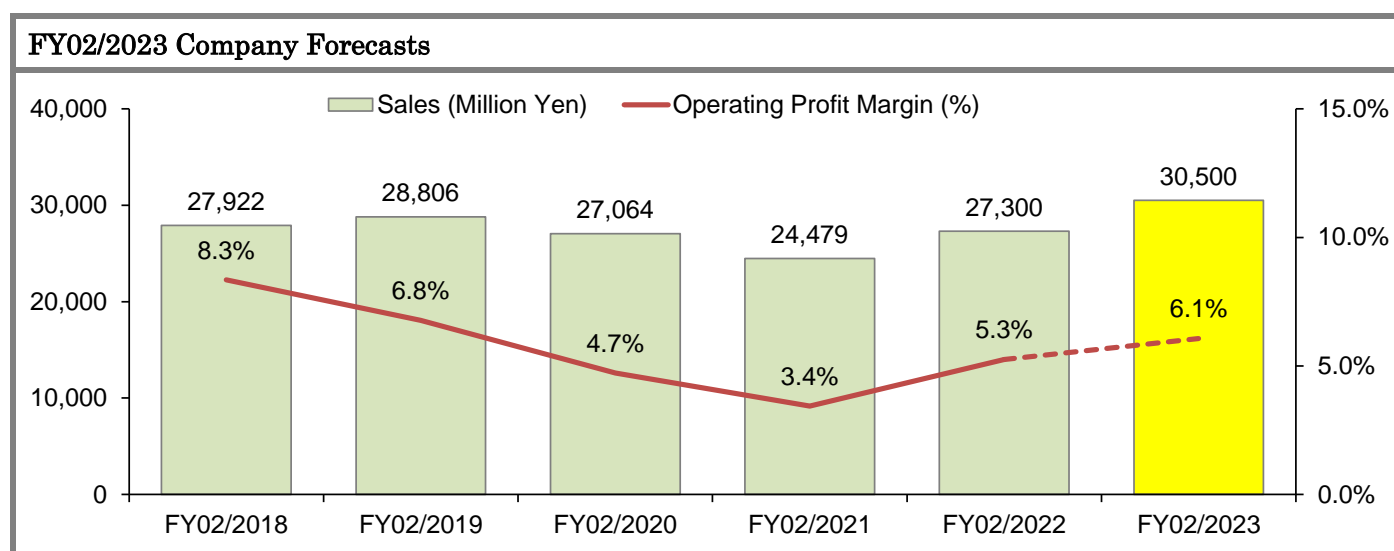
Cash Flow Statement (Cumulative)

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 02/2021	Q1 to Q2 02/2021	Q1 to Q3 02/2021	Q1 to Q4 02/2021	Q1 02/2022	Q1 to Q2 02/2022	Q1 to Q3 02/2022	Q1 to Q4 02/2022		
Operating Cash Flow	-	696	-	2,088	-	1,327	-	2,333	+245	
Investing Cash Flow	-	(317)	-	(660)	-	1,043	-	603	+1,263	
Operating Cash Flow and Investing Cash Flow	-	379	-	1,428	-	2,370	-	2,936	+1,508	
Financing Cash Flow	-	152	-	(1,019)	-	(2,504)	-	(2,937)	(1,918)	

Source: Company Data, WRJ Calculation

FY02/2023 Company Forecasts

FY02/2023 Company forecasts (announced on 12 April 2022) are going for prospective sales of ¥30,500m (up 11.7% YoY), operating profit of ¥1,850m (up 29.0%), recurring profit of ¥2,200m (up 9.4%) and profit attributable to owners of parent of ¥1,300m (down 28.1%), while operating profit margin of 6.1% (up 0.8% points). At the same time, Company forecasts are going for prospective annual dividend of ¥40.00 per share, implying payout ratio of 28.9%.



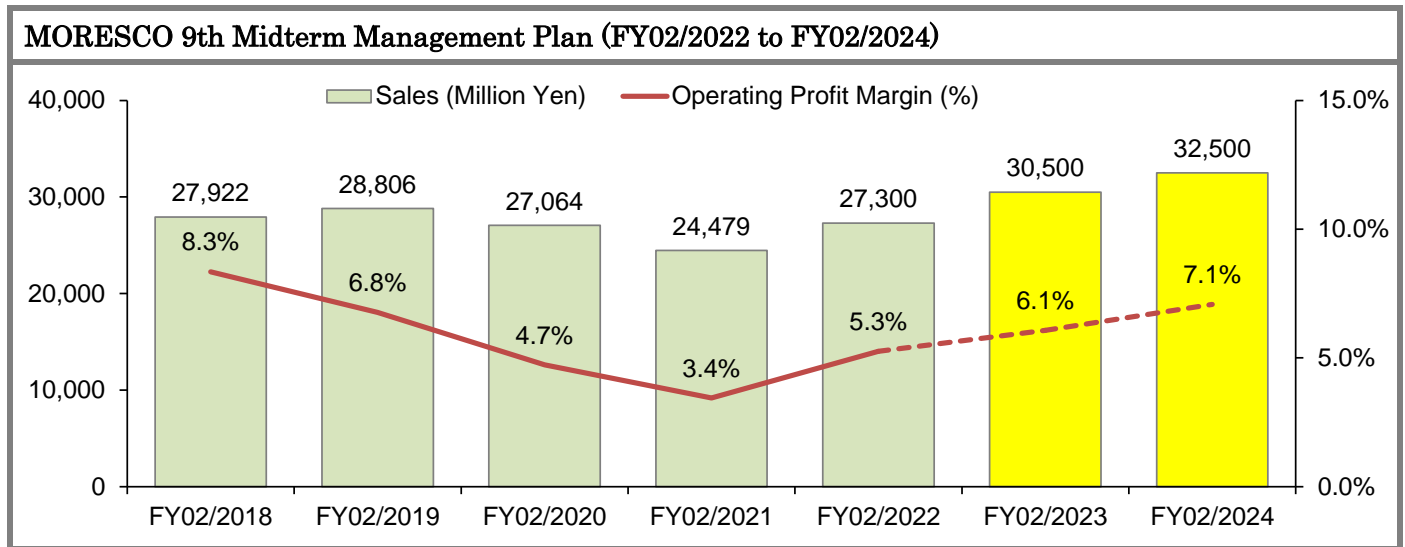
Source: Company Data, WRJ Calculation

At the non-operating level and the extraordinary level, Company forecasts assume windfalls in FY02/2021 are not to reappear, i.e., net forex gain of ¥247m for the former and gain of ¥833m on sale of fixed assets for the latter, resulting in the rate of increase in recurring profit smaller than operating profit and profit attributable to owners of parent inevitably declining over the previous year. Meanwhile, in light of the fact like this, it may not be appropriate to follow the trends of recurring profit and/or profit attributable to owners of parent for the sake of grasping the underlying trends of performance on a time-oriented basis for several years, but sales, operating profit and operating profit margin from a long-term perspective as far as we could see.

Further, according to the Company, there will be an uncertainty about the future for some time. Still, the Company is to focus on management efforts represented by the measure for the rise in raw material prices to be passed on to product sales prices so that the above-mentioned Company forecasts should be met. The Company says that it is just not foreseeable to what extent the impacts stemming from COVID-19 will affect economic situations on a global basis. For example, the Company is worried about the impacts of lockdowns in Shanghai and other areas as mentioned earlier. On top of this, it is taken for granted that there is a sea of uncertainty in light of the increased geopolitical risks associated with Russian invasion of Ukraine. For another concern, the Company says that automobile production volume may be reduced by shortage of semiconductors, which is a major risk. Nevertheless, the Company suggests that it sets out an assumption related to all those factors, which are assumed in the above-mentioned Company forecasts. By the way, the Company made an upward revision for performance target of its midterm management plan (FY02/2022 to FY02/2024) on 22 February 2022, while the latest FY02/2023 Company forecasts are in line with assumptions here.

Long-Term Prospects

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



Source: Company Data, WRJ Calculation

MORESCO 9th Midterm Management Plan was originally announced on 22 February 2021. Then, revision was made and announced on 13 April 2021 (basically reflecting extraordinary gain from sale of MORESCO Hommachi Building) and then another revision was made and announced on 22 February 2022, which is reflected in the above-mentioned performance target. From the former to the latter, prospective sales for FY02/2024, the final year of the plan, were revised up by ¥2,750m (9.2%) and by ¥70m (3.1%) for operating profit. This was due mainly to a recovery in automobile production volume, according to the Company.

As mentioned earlier, FY02/2023 Company forecasts (announced on 12 April 2022) have remained unchanged from assumptions of the most recent MORESCO 9th Midterm Management Plan (revised on 22 February 2022). Meanwhile, the FY02/2022 results were marginally worse than the assumptions, i.e., by ¥100m (0.4%) for sales and by ¥126m (8.1%) for operating profit. In other words, it is suggested that short-term performance such as on a quarterly basis is inclined to be affected by a factor that takes a certain amount of time to rectify product sales prices in line with rising raw material prices. However, it appears that the Company is progressing the catch-up here on a full-year basis, which is probably one of the reasons why prospects for FY02/2023 have remained unchanged.

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

Source: Company Data, WRJ Calculation

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Segmented Information

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

Source: Company Data, WRJ Calculation

Sales by Business Division

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

Source: Company Data, WRJ Calculation

Balance Sheet

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

Source: Company Data, WRJ Calculation

Cash Flow Statement

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

Source: Company Data, WRJ Calculation

Per Share Data

Per Share Data (Before Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	02/2018	02/2019	02/2020	02/2021	02/2022	02/2023	Net Chg.
No. of Shares FY End (thousand shares)	9,676	9,697	9,697	9,697	9,697	-	-
Net Profit / EPS (thousand shares)	9,674	9,661	9,591	9,577	9,380	-	-
Treasury Shares FY End (thousand shares)	1	105	98	321	317	-	-
Earnings Per Share	167.77	148.85	80.91	54.09	192.76	138.59	-
Earnings Per Share (Fully Diluted)	-	-	-	-	-	-	-
Book Value Per Share	1,584.28	1,637.29	1,659.74	1,695.81	1,914.94	-	-
Dividend Per Share	45.00	50.00	50.00	40.00	40.00	40.00	-
Per Share Data (After Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
FY	FY	FY	FY	FY	FY	FY	YoY
02/2018	02/2019	02/2020	02/2021	02/2022	02/2023	02/2023	Net Chg.
Share Split Factor	1	1	1	1	1	1	-
Earnings Per Share	167.77	148.85	80.91	54.09	192.76	138.59	-
Book Value Per Share	1,584.28	1,637.29	1,659.74	1,695.81	1,914.94	-	-
Dividend Per Share	45.00	50.00	50.00	40.00	40.00	40.00	-
Payout Ratio	26.8%	33.6%	61.8%	74.0%	20.8%	28.9%	-

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.

Company name: Walden Research Japan Incorporated

Head office: Level 4 Ginza Ishii Building, 6-14-8 Ginza Chuo-ku Tokyo 104-0061, JAPAN

URL: <https://walden.co.jp/>

E-mail: info@walden.co.jp

Tel: 81-(0)3-3553-3769