

# MORESCO (5018)

Consolidated Fiscal Year (Million Yen)	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY02/2022	27,300	1,434	2,011	1,808	192.76	40.00	1,914.94
FY02/2023	30,333	523	1,046	615	66.19	40.00	2,008.49
FY02/2024CoE	34,500	1,400	1,600	700	75.86	45.00	-
FY02/2023	YoY	11.1%	(63.5%)	(48.0%)	(66.0%)	-	-
FY02/2024CoE	YoY	13.7%	167.7%	53.0%	13.9%	-	-

Source: Company Data, WRJ Calculation

## 1.0 Results Update (11 April 2023)

### Impact of Time Lag


On 11 April 2023, MORESCO, running operations of R&D, manufacture and sale of chemical goods used in diverse applications with autos as the mainstay, released its FY02/2023 results. It has been revealed that a steady improvement in earnings is to occur for FY02/2024. The key reason cited for this is that the impact of time lag required to have passed on surging raw material prices to selling prices is to be gradually eliminated. According to the Company, the impact of time lag has caused a significant deterioration in its earnings for FY02/2023. In fact, the Company did pass on surging raw material prices to selling prices, but it required a certain period of time lag for the latter to be implemented after the former had taken place. For FY02/2023, it has been almost persisting that further hike of raw material prices was taking place, when the Company did pass that of the past on to selling prices after a certain period of time lag, having resulted in an ever-declining gross profit margin. Nevertheless, the Company is now stating that raw material prices which had continued to rise have begun to stabilize most lately and it is in the process of continuously passing on the hike of raw material prices so far to selling prices. We are to view the Company's results briefing on the web, scheduled to be held on 17 April 2023, which is to be followed by our interview with management, so that we should be able to update [MORESCO \(5018\) A Path of Recovery \(14 March 2023\)](#) and release afresh.

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

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## 2.0 Company Profile

### Interface Science Specialist

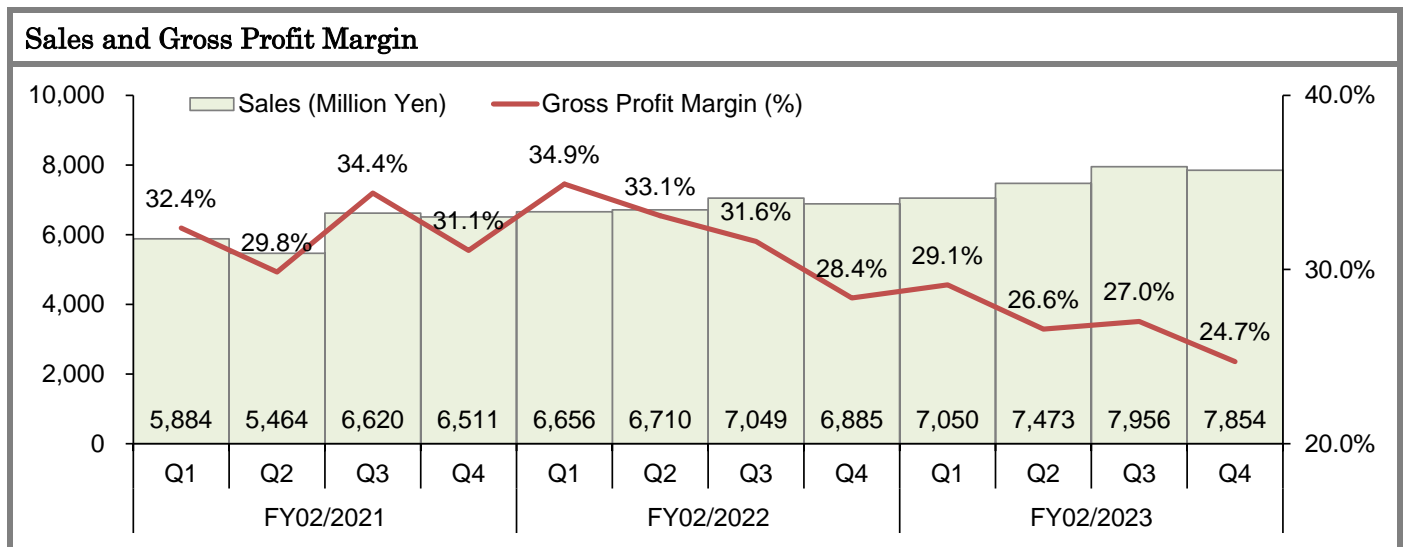
<b>Company Name</b>	MORESCO Corporation <a href="#">Company Website</a> <a href="#">IR Information</a> <a href="#">Share Price (Japanese)</a> 
<b>Established</b>	27 October 1958
<b>Listing</b>	4 April 2022: Tokyo Stock Exchange Prime Market (ticker: 5018) 14 February 2011: Tokyo Stock Exchange 1st section 29 July 2008: Tokyo Stock Exchange 2nd section 13 November 2003: Registered on the over-the-counter market of JSDA
<b>Capital</b>	¥2,118m (as of the end of February 2023)
<b>No. of Shares</b>	9,696,500 shares, including 468,970 treasury shares (as of the end of Feb. 2023)
<b>Main Features</b>	<ul style="list-style-type: none"> <li>● Independent (non-keiretsu) manufacturer of chemical goods, some 44% exposed to autos by application in terms of sales</li> <li>● Specializing in “interface science” with exclusive exposure to niche markets</li> <li>● R&amp;D, manufacture and sale of chemical goods to fulfil the functionalities of lubrications, adhesives and surface protections</li> </ul>
<b>Segments</b>	I . Japan II . China III. Southeast / South Asia IV. North America
<b>Representative</b>	CEO, Representative Director and President: Motohisa Morozumi
<b>Shareholders</b>	Matsumura Oil 11.5%, Cosmo Oil Lubricants 5.4%, MORESCO Employee Stock Ownership Plan 4.4%, Master Trust Bank of Japan, T. 4.2% (as of the end of February 2023, but for treasury shares)
<b>Head Office</b>	Kobe-city, Hyogo-prefecture, JAPAN
<b>No. of Personnel</b>	Consolidated: 784, Parent: 381 (as of the end of February 2022)

Source: Company Data

## 3.0 Recent Trading and Prospects

### FY02/2023

For FY02/2023, sales came in at ¥30,333m (up 11.1% YoY), operating profit ¥523m (down 63.5%), recurring profit ¥1,046m (down 48.0%) and profit attributable to owners of parent ¥615m (down 66.0%). At the extraordinary level, extraordinary gain of ¥833m from sale of MORESCO Honmachi Building, which was recorded for FY02/2022, did not reappear, having pushed down profit attributable to owners of parent to a corresponding extent. Meanwhile, gross profit came in at ¥8,129m (down 6.8%) and SG&A expenses ¥7,606m (up 4.3%), implying gross profit margin of 26.8% (down 5.2% points) and SG&A ratio of 25.1% (down 1.6% points), having resulted in operating profit margin of 1.7% (down 3.5% points).



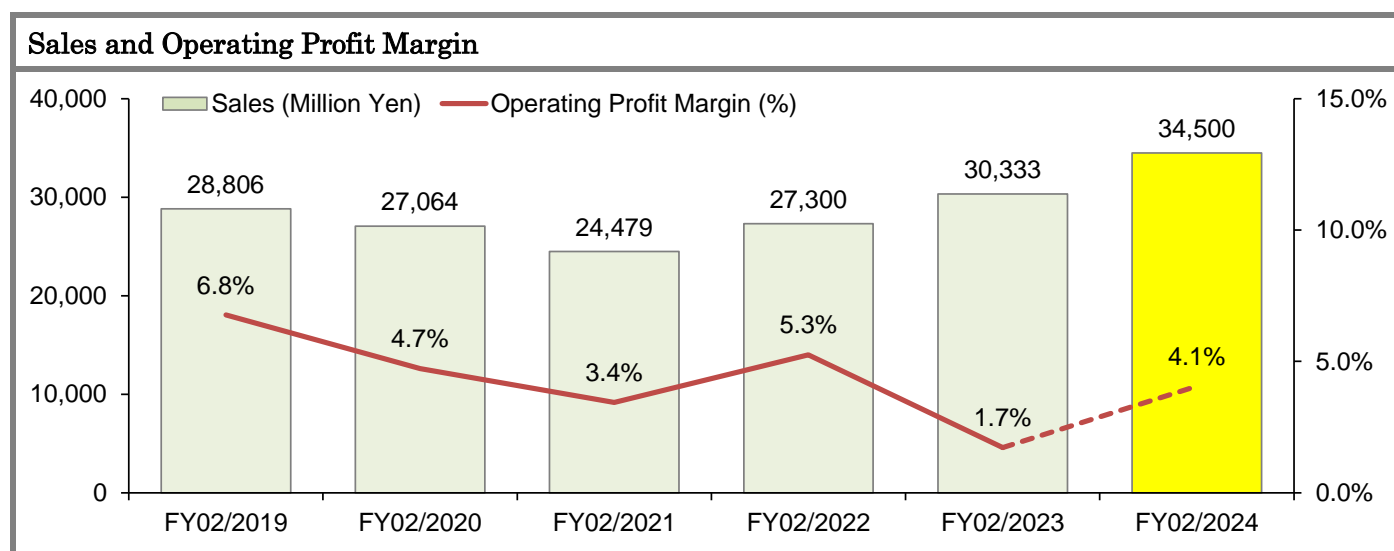
Source: Company Data, WRJ Calculation

According to the Company, sales volume as a whole has slightly declined over the previous year, while selling prices have risen sharply in line with the transfer of raw material price hikes to selling prices and yen's depreciation. However, the aforementioned impact of time lag and other factors have forced gross profit margin being ever-declining.

For example, the Company suggests that sales on the Functional Fluids side (mainly associated with autos by application) in Japan, the mainstay by region, equate roughly half of sales for the Company as a whole, while having seen the trends for sales, volume and prices almost the same as the overall trend for the Company as a whole. This means that volume was marginally declining in Japan, but the Company also suggests the production volume of autos during the relevant period came in at some 8m units (up 4%). According to the Company, the largest customer out of all those automakers has suffered from a decrease in the production volume of autos, which was a major negative factor for volume for the Company as a whole. Meanwhile, the Company also suggests that other factors behind declined volume as a whole are basically attributable to an overall market factor.

### FY02/2024 Company Forecasts

FY02/2024 Company forecasts, announced on 11 April 2023, are going for prospective sales of ¥34,500m (up 13.7% YoY), operating profit of ¥1,400m (up 167.7%), recurring profit of ¥1,600m (up 53.0%) and profit attributable to owners of parent of ¥700m (up 13.9%), while operating profit margin of 4.1% (up 2.3% points). At the same time, Company forecasts are going for planned annual dividend of ¥45.00 per share, implying payout ratio of 59.3%. With respect to common dividend, Company forecasts are going for ¥40.00, unchanged from FY02/2023, while adding commemorative dividend of ¥5.00 (for the 65th anniversary of foundation in October 2023) on top of this for FY02/2024.



Source: Company Data, WRJ Calculation

Meanwhile, the Company suggests that volume will rise and prices will rise at the same time. With respect to volume, the Company is looking to an increase in production volume of autos in Southeast Asia, China, etc., which is expected to drive volume on the Functional Fluids side (mainly associated with autos by application). Still, the Company looks assuming conservative prospects for the production volume of autos in Japan. Another driver for the volume with the Company is that the volume on the Hot Melt Adhesives side will continue showing strengths as the mainstay hygiene related ones are to see a diversification in application, which is to drive the volume to be delivered. By the way, prices will rise due to the aforementioned reasons.

## 4.0 Financial Statements

### 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.
	02/2022	02/2022	02/2022	02/2022	02/2023	02/2023	02/2023	02/2023	02/2023	
<b>Sales</b>	<b>6,656</b>	<b>13,366</b>	<b>20,415</b>	<b>27,300</b>	<b>7,050</b>	<b>14,523</b>	<b>22,479</b>	<b>30,333</b>		<b>+3,033</b>
Cost of Sales	4,332	8,822	13,643	18,575	4,997	10,484	16,291	22,204		+3,629
Gross Profit	2,324	4,544	6,772	8,725	2,053	4,039	6,188	8,129		(596)
SG&A Expenses	1,805	3,621	5,397	7,291	1,852	3,744	5,677	7,606		+315
<b>Operating Profit</b>	<b>520</b>	<b>923</b>	<b>1,375</b>	<b>1,434</b>	<b>201</b>	<b>295</b>	<b>511</b>	<b>523</b>		<b>(911)</b>
Non-Operating Balance	201	240	357	577	270	551	633	523		(54)
<b>Recurring Profit</b>	<b>721</b>	<b>1,163</b>	<b>1,732</b>	<b>2,011</b>	<b>471</b>	<b>846</b>	<b>1,144</b>	<b>1,046</b>		<b>(965)</b>
Extraordinary Balance	833	833	833	833	-	-	-	-		(833)
Profit before Income Taxes	1,555	1,996	2,565	2,844	471	846	1,144	1,046		(1,798)
Total Income Taxes	379	527	685	831	116	286	347	320		(511)
Profit Attributable to Non-Controlling Interests	81	110	150	205	38	56	78	112		(93)
<b>Profit Attributable to Owners of Parent</b>	<b>1,095</b>	<b>1,359</b>	<b>1,730</b>	<b>1,808</b>	<b>317</b>	<b>504</b>	<b>719</b>	<b>615</b>		<b>(1,193)</b>
Sales YoY	+13.1%	+17.8%	+13.6%	+11.5%	+5.9%	+8.7%	+10.1%	+11.1%		-
Operating Profit YoY	+265.0%	+820.0%	+114.5%	+70.3%	(61.4%)	(68.0%)	(62.8%)	(63.5%)		-
Recurring Profit YoY	-	-	+164.0%	+95.3%	(34.7%)	(27.3%)	(34.0%)	(48.0%)		-
Profit Attributable to Owners of Parent YoY	-	-	+471.0%	+249.1%	(71.0%)	(62.9%)	(58.5%)	(66.0%)		-
Gross Profit Margin	34.9%	34.0%	33.2%	32.0%	29.1%	27.8%	27.5%	26.8%		(5.2%)
SG&A Ratio	27.1%	27.1%	26.4%	26.7%	26.3%	25.8%	25.3%	25.1%		(1.6%)
Operating Profit Margin	7.8%	6.9%	6.7%	5.3%	2.9%	2.0%	2.3%	1.7%		(3.5%)
Recurring Profit Margin	10.8%	8.7%	8.5%	7.4%	6.7%	5.8%	5.1%	3.4%		(3.9%)
Profit Attributable to Owners of Parent Margin	16.5%	10.2%	8.5%	6.6%	4.5%	3.5%	3.2%	2.0%		(4.6%)
Total Income Taxes / Profit before Income Taxes	24.4%	26.4%	26.7%	29.2%	24.6%	33.8%	30.3%	30.6%		+1.4%
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.
	02/2022	02/2022	02/2022	02/2022	02/2023	02/2023	02/2023	02/2023	02/2023	
<b>Sales</b>	<b>6,656</b>	<b>6,710</b>	<b>7,049</b>	<b>6,885</b>	<b>7,050</b>	<b>7,473</b>	<b>7,956</b>	<b>7,854</b>		<b>+969</b>
Cost of Sales	4,332	4,490	4,821	4,932	4,997	5,487	5,807	5,913		+981
Gross Profit	2,324	2,220	2,228	1,953	2,053	1,986	2,149	1,941		(12)
SG&A Expenses	1,805	1,816	1,776	1,894	1,852	1,892	1,933	1,929		+35
<b>Operating Profit</b>	<b>520</b>	<b>403</b>	<b>452</b>	<b>59</b>	<b>201</b>	<b>94</b>	<b>216</b>	<b>12</b>		<b>(47)</b>
Non-Operating Balance	201	39	117	220	270	281	82	(110)		(330)
<b>Recurring Profit</b>	<b>721</b>	<b>442</b>	<b>569</b>	<b>279</b>	<b>471</b>	<b>375</b>	<b>298</b>	<b>(98)</b>		<b>(377)</b>
Extraordinary Balance	833	-	-	-	-	-	-	-		-
Profit before Income Taxes	1,555	441	569	279	471	375	298	(98)		(377)
Total Income Taxes	379	148	158	146	116	170	61	(27)		(173)
Profit Attributable to Non-Controlling Interests	81	29	40	55	38	18	22	34		(21)
<b>Profit Attributable to Owners of Parent</b>	<b>1,095</b>	<b>264</b>	<b>371</b>	<b>78</b>	<b>317</b>	<b>187</b>	<b>215</b>	<b>(104)</b>		<b>(182)</b>
Sales YoY	+13.1%	+22.8%	+6.5%	+5.7%	+5.9%	+11.4%	+12.9%	+14.1%		-
Operating Profit YoY	+265.0%	-	(16.5%)	(70.6%)	(61.4%)	(76.7%)	(52.2%)	(79.7%)		-
Recurring Profit YoY	-	-	(4.8%)	(25.4%)	(34.7%)	(15.2%)	(47.6%)	-		-
Profit Attributable to Owners of Parent YoY	-	-	(5.6%)	(63.7%)	(71.0%)	(29.2%)	(42.0%)	-		-
Gross Profit Margin	34.9%	33.1%	31.6%	28.4%	29.1%	26.6%	27.0%	24.7%		(3.7%)
SG&A Ratio	27.1%	27.1%	25.2%	27.5%	26.3%	25.3%	24.3%	24.6%		(2.9%)
Operating Profit Margin	7.8%	6.0%	6.4%	0.9%	2.9%	1.3%	2.7%	0.2%		(0.7%)
Recurring Profit Margin	10.8%	6.6%	8.1%	4.1%	6.7%	5.0%	3.7%	(1.2%)		(5.3%)
Profit Attributable to Owners of Parent Margin	16.5%	3.9%	5.3%	1.1%	4.5%	2.5%	2.7%	(1.3%)		(2.5%)
Total Income Taxes / Profit before Income Taxes	24.4%	33.6%	27.8%	52.3%	24.6%	45.3%	20.5%	27.6%		(24.8%)

Source: Company Data, WRJ Calculation

## Segmented Information (Cumulative / Quarterly)

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 02/2022	Q1 to Q2 02/2022	Q1 to Q3 02/2022	Q1 to Q4 02/2022	Q1 02/2023	Q1 to Q2 02/2023	Q1 to Q3 02/2023	Q1 to Q4 02/2023		
Japan	4,537	9,053	13,843	18,385	4,738	9,624	14,629	19,637		+1,252
China	830	1,677	2,612	3,625	854	1,737	2,813	3,814		+189
Southeast / South Asia	1,080	2,205	3,345	4,501	1,276	2,726	4,274	5,870		+1,369
North America	209	432	615	789	182	436	762	1,011		+222
<b>Sales</b>	<b>6,656</b>	<b>13,366</b>	<b>20,415</b>	<b>27,300</b>	<b>7,050</b>	<b>14,523</b>	<b>22,479</b>	<b>30,333</b>		<b>+3,033</b>
Japan	325	558	837	805	104	143	161	33		(772)
China	113	235	327	432	48	95	205	311		(121)
Southeast / South Asia	50	63	102	86	24	41	86	123		+37
North America	35	76	101	107	14	32	78	87		(20)
<b>Segment Profit</b>	<b>523</b>	<b>932</b>	<b>1,367</b>	<b>1,431</b>	<b>189</b>	<b>311</b>	<b>531</b>	<b>553</b>		<b>(878)</b>
Adjustments	(3)	(9)	7	4	11	(16)	(20)	(30)		(34)
<b>Operating Profit</b>	<b>520</b>	<b>923</b>	<b>1,375</b>	<b>1,434</b>	<b>201</b>	<b>295</b>	<b>511</b>	<b>523</b>		<b>(911)</b>
Japan	7.2%	6.2%	6.0%	4.4%	2.2%	1.5%	1.1%	0.2%		(4.2%)
China	13.6%	14.0%	12.5%	11.9%	5.6%	5.5%	7.3%	8.2%		(3.8%)
Southeast / South Asia	4.6%	2.9%	3.0%	1.9%	1.9%	1.5%	2.0%	2.1%		+0.2%
North America	16.7%	17.6%	16.4%	13.6%	7.7%	7.3%	10.2%	8.6%		(5.0%)
<b>Segment Profit Margin</b>	<b>7.9%</b>	<b>7.0%</b>	<b>6.7%</b>	<b>5.2%</b>	<b>2.7%</b>	<b>2.1%</b>	<b>2.4%</b>	<b>1.8%</b>		<b>(3.4%)</b>
Adjustments	(0.0%)	(0.1%)	0.0%	0.0%	0.2%	(0.1%)	(0.1%)	(0.1%)		(0.1%)
<b>Operating Profit Margin</b>	<b>7.8%</b>	<b>6.9%</b>	<b>6.7%</b>	<b>5.3%</b>	<b>2.9%</b>	<b>2.0%</b>	<b>2.3%</b>	<b>1.7%</b>		<b>(3.5%)</b>

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 02/2022	Q2 02/2022	Q3 02/2022	Q4 02/2022	Q1 02/2023	Q2 02/2023	Q3 02/2023	Q4 02/2023		
Japan	4,537	4,516	4,790	4,542	4,738	4,886	5,005	5,008		+466
China	830	847	935	1,013	854	883	1,076	1,001		(12)
Southeast / South Asia	1,080	1,125	1,140	1,156	1,276	1,450	1,548	1,596		+440
North America	209	223	183	174	182	254	326	249		+75
<b>Sales</b>	<b>6,656</b>	<b>6,710</b>	<b>7,049</b>	<b>6,885</b>	<b>7,050</b>	<b>7,473</b>	<b>7,956</b>	<b>7,854</b>		<b>+969</b>
Japan	325	233	279	(32)	104	39	18	(128)		(96)
China	113	122	92	105	48	47	110	106		+1
Southeast / South Asia	50	13	39	(16)	24	17	45	37		+53
North America	35	41	25	6	14	18	46	9		+3
<b>Segment Profit</b>	<b>523</b>	<b>409</b>	<b>435</b>	<b>64</b>	<b>189</b>	<b>122</b>	<b>220</b>	<b>22</b>		<b>(42)</b>
Adjustments	(3)	(6)	16	(3)	11	(27)	(4)	(10)		(7)
<b>Operating Profit</b>	<b>520</b>	<b>403</b>	<b>452</b>	<b>59</b>	<b>201</b>	<b>94</b>	<b>216</b>	<b>12</b>		<b>(47)</b>
Japan	7.2%	5.2%	5.8%	(0.7%)	2.2%	0.8%	0.4%	(2.6%)		(1.9%)
China	13.6%	14.4%	9.8%	10.4%	5.6%	5.3%	10.2%	10.6%		+0.2%
Southeast / South Asia	4.6%	1.2%	3.4%	(1.4%)	1.9%	1.2%	2.9%	2.3%		+3.7%
North America	16.7%	18.4%	13.7%	3.4%	7.7%	7.1%	14.1%	3.6%		+0.2%
<b>Segment Profit Margin</b>	<b>7.9%</b>	<b>6.1%</b>	<b>6.2%</b>	<b>0.9%</b>	<b>2.7%</b>	<b>1.6%</b>	<b>2.8%</b>	<b>0.3%</b>		<b>(0.6%)</b>
Adjustments	(0.0%)	(0.1%)	0.2%	(0.0%)	0.2%	(0.4%)	(0.1%)	(0.1%)		(0.1%)
<b>Operating Profit Margin</b>	<b>7.8%</b>	<b>6.0%</b>	<b>6.4%</b>	<b>0.9%</b>	<b>2.9%</b>	<b>1.3%</b>	<b>2.7%</b>	<b>0.2%</b>		<b>(0.7%)</b>

Source: Company Data, WRJ Calculation

## Sales by Business Division (Cumulative / Quarterly)

Sales by Business Division		Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	
		Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	YoY
(Million Yen)		02/2022	02/2022	02/2022	02/2022	02/2023	02/2023	02/2023	02/2023	Net Chg.
Functional Fluids		3,083	6,341	9,687	13,021	3,420	7,027	11,081	15,105	+2,084
Synthetic Lubricants		503	1,033	1,529	1,974	502	991	1,381	1,703	(271)
Liquid Paraffines & Sulfonates		807	1,672	2,579	3,480	902	1,855	2,849	3,793	+313
Hot Melt Adhesives		1,671	3,325	5,086	6,785	1,809	3,754	5,801	7,664	+879
Energy Device Materials		57	128	198	237	45	84	128	209	(28)
Other		528	859	1,328	1,794	372	812	1,239	1,859	+65
<b>Chemical Business</b>		<b>6,648</b>	<b>13,358</b>	<b>20,407</b>	<b>27,292</b>	<b>7,050</b>	<b>14,523</b>	<b>22,479</b>	<b>30,333</b>	<b>+3,041</b>
<b>Rental Building Business</b>		<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8)</b>
<b>Sales</b>		<b>6,656</b>	<b>13,366</b>	<b>20,415</b>	<b>27,300</b>	<b>7,050</b>	<b>14,523</b>	<b>22,479</b>	<b>30,333</b>	<b>+3,033</b>
Functional Fluids		+25.1%	+36.5%	+27.2%	+23.2%	+10.9%	+10.8%	+14.4%	+16.0%	-
Synthetic Lubricants		(4.3%)	+12.6%	+7.0%	+5.5%	(0.1%)	(4.1%)	(9.7%)	(13.7%)	-
Liquid Paraffines & Sulfonates		(6.4%)	(3.9%)	+2.6%	+2.8%	+11.9%	+11.0%	+10.5%	+9.0%	-
Hot Melt Adhesives		+2.8%	+0.7%	+0.5%	(0.3%)	+8.2%	+12.9%	+14.1%	+13.0%	-
Energy Device Materials		+159.6%	+202.2%	+149.4%	+109.9%	(21.3%)	(34.5%)	(35.1%)	(11.8%)	-
Other		+41.8%	+27.3%	+7.8%	+6.6%	(29.5%)	(5.4%)	(6.7%)	+3.6%	-
<b>Chemical Business</b>		<b>+13.2%</b>	<b>+18.0%</b>	<b>+13.8%</b>	<b>+11.7%</b>	<b>+5.9%</b>	<b>+8.7%</b>	<b>+10.2%</b>	<b>+11.1%</b>	-
<b>Rental Building Business</b>		<b>(36.7%)</b>	<b>(68.3%)</b>	<b>(78.9%)</b>	<b>(84.2%)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	-
<b>Sales (YoY)</b>		<b>+13.1%</b>	<b>+17.8%</b>	<b>+13.6%</b>	<b>+11.5%</b>	<b>+5.9%</b>	<b>+8.7%</b>	<b>+10.1%</b>	<b>+11.1%</b>	-
Functional Fluids		46.3%	47.4%	47.5%	47.7%	48.5%	48.4%	49.3%	49.8%	-
Synthetic Lubricants		7.6%	7.7%	7.5%	7.2%	7.1%	6.8%	6.1%	5.6%	-
Liquid Paraffines & Sulfonates		12.1%	12.5%	12.6%	12.7%	12.8%	12.8%	12.7%	12.5%	-
Hot Melt Adhesives		25.1%	24.9%	24.9%	24.9%	25.7%	25.8%	25.8%	25.3%	-
Energy Device Materials		0.9%	1.0%	1.0%	0.9%	0.6%	0.6%	0.6%	0.7%	-
Other		7.9%	6.4%	6.5%	6.6%	5.3%	5.6%	5.5%	6.1%	-
<b>Chemical Business</b>		<b>99.9%</b>	<b>99.9%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-
<b>Rental Building Business</b>		<b>0.1%</b>	<b>0.1%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	-
<b>Sales (Composition Ratio)</b>		<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-
Sales by Business Division		Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	YoY
(Million Yen)		02/2022	02/2022	02/2022	02/2022	02/2023	02/2023	02/2023	02/2023	Net Chg.
Functional Fluids		3,083	3,258	3,346	3,334	3,420	3,607	4,054	4,024	+690
Synthetic Lubricants		503	530	496	445	502	489	390	322	(123)
Liquid Paraffines & Sulfonates		807	865	907	901	902	953	994	944	+43
Hot Melt Adhesives		1,671	1,654	1,761	1,699	1,809	1,945	2,047	1,863	+164
Energy Device Materials		57	71	70	39	45	39	44	81	+42
Other		528	331	469	466	372	440	427	620	+154
<b>Chemical Business</b>		<b>6,648</b>	<b>6,710</b>	<b>7,049</b>	<b>6,885</b>	<b>7,050</b>	<b>7,473</b>	<b>7,956</b>	<b>7,854</b>	<b>+969</b>
<b>Rental Building Business</b>		<b>8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sales</b>		<b>6,656</b>	<b>6,710</b>	<b>7,049</b>	<b>6,885</b>	<b>7,050</b>	<b>7,473</b>	<b>7,956</b>	<b>7,854</b>	<b>+969</b>
Functional Fluids		+25.1%	+49.2%	+12.7%	+13.1%	+10.9%	+10.7%	+21.2%	+20.7%	-
Synthetic Lubricants		(4.3%)	+35.2%	(2.9%)	+0.2%	(0.1%)	(7.7%)	(21.4%)	(27.6%)	-
Liquid Paraffines & Sulfonates		(6.4%)	(1.4%)	+17.0%	+3.4%	+11.9%	+10.2%	+9.6%	+4.8%	-
Hot Melt Adhesives		+2.8%	(1.3%)	+0.2%	(2.9%)	+8.2%	+17.6%	+16.2%	+9.7%	-
Energy Device Materials		+159.6%	+255.0%	+89.2%	+14.7%	(21.3%)	(45.1%)	(37.1%)	+107.7%	-
Other		+41.8%	+9.2%	(15.8%)	+3.6%	(29.5%)	+32.9%	(9.0%)	+33.0%	-
<b>Chemical Business</b>		<b>+13.2%</b>	<b>+23.1%</b>	<b>+6.7%</b>	<b>+6.0%</b>	<b>+5.9%</b>	<b>+11.4%</b>	<b>+12.9%</b>	<b>+14.1%</b>	-
<b>Rental Building Business</b>		<b>(36.7%)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	-
<b>Sales (YoY)</b>		<b>+13.1%</b>	<b>+22.8%</b>	<b>+6.5%</b>	<b>+5.7%</b>	<b>+5.9%</b>	<b>+11.4%</b>	<b>+12.9%</b>	<b>+14.1%</b>	-
Functional Fluids		46.3%	48.6%	47.5%	48.4%	48.5%	48.3%	51.0%	51.2%	-
Synthetic Lubricants		7.6%	7.9%	7.0%	6.5%	7.1%	6.5%	4.9%	4.1%	-
Liquid Paraffines & Sulfonates		12.1%	12.9%	12.9%	13.1%	12.8%	12.8%	12.5%	12.0%	-
Hot Melt Adhesives		25.1%	24.6%	25.0%	24.7%	25.7%	26.0%	25.7%	23.7%	-
Energy Device Materials		0.9%	1.1%	1.0%	0.6%	0.6%	0.5%	0.6%	1.0%	-
Other		7.9%	4.9%	6.7%	6.8%	5.3%	5.9%	5.4%	7.9%	-
<b>Chemical Business</b>		<b>99.9%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-
<b>Rental Building Business</b>		<b>0.1%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	-
<b>Sales (Composition Ratio)</b>		<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-

Source: Company Data, WRJ Calculation

## Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 02/2022	Q2 02/2022	Q3 02/2022	Q4 02/2022	Q1 02/2023	Q2 02/2023	Q3 02/2023	Q4 02/2023		
Cash and Deposit	4,521	3,988	4,090	4,001	3,812	4,166	4,172	4,256	+255	
Accounts Receivables	6,479	6,337	6,800	6,844	7,046	7,524	7,831	7,595	+751	
Inventory	4,665	4,869	5,043	5,326	5,727	6,102	6,311	6,306	+980	
Other	545	413	343	436	580	493	614	653	+217	
<b>Current Assets</b>	<b>16,210</b>	<b>15,607</b>	<b>16,276</b>	<b>16,607</b>	<b>17,165</b>	<b>18,285</b>	<b>18,928</b>	<b>18,810</b>	<b>+2,203</b>	
Tangible Assets	7,811	7,842	7,954	8,304	8,330	8,395	8,537	8,610	+306	
Intangible Assets	742	706	672	633	614	649	643	589	(44)	
Investments and Other Assets	3,238	3,182	3,320	3,465	3,583	3,764	3,820	4,002	+537	
<b>Fixed Assets</b>	<b>11,791</b>	<b>11,730</b>	<b>11,947</b>	<b>12,401</b>	<b>12,527</b>	<b>12,808</b>	<b>13,001</b>	<b>13,202</b>	<b>+801</b>	
<b>Deferred Assets</b>	-	-	-	-	-	-	-	6	+6	
<b>Total Assets</b>	<b>28,001</b>	<b>27,337</b>	<b>28,223</b>	<b>29,008</b>	<b>29,691</b>	<b>31,092</b>	<b>31,929</b>	<b>32,017</b>	<b>+3,009</b>	
Accounts Payables	3,925	3,762	4,151	4,308	4,419	4,926	5,173	5,144	+836	
Short-Term Debt	1,119	566	553	560	857	1,546	1,549	2,381	+1,821	
Other	2,223	2,065	2,453	2,392	2,052	1,611	2,245	2,074	(318)	
<b>Current Liabilities</b>	<b>7,267</b>	<b>6,393</b>	<b>7,157</b>	<b>7,260</b>	<b>7,328</b>	<b>8,083</b>	<b>8,967</b>	<b>9,599</b>	<b>+2,339</b>	
Long-Term Debt	660	545	430	350	457	382	307	472	+122	
Other	568	587	590	847	785	910	834	707	(140)	
<b>Fixed Liabilities</b>	<b>1,228</b>	<b>1,132</b>	<b>1,020</b>	<b>1,197</b>	<b>1,242</b>	<b>1,292</b>	<b>1,141</b>	<b>1,179</b>	<b>(18)</b>	
<b>Total Liabilities</b>	<b>8,495</b>	<b>7,525</b>	<b>8,178</b>	<b>8,457</b>	<b>8,570</b>	<b>9,375</b>	<b>10,108</b>	<b>10,778</b>	<b>+2,321</b>	
<b>Shareholders' Equity</b>	<b>16,697</b>	<b>16,966</b>	<b>17,150</b>	<b>17,227</b>	<b>17,357</b>	<b>17,361</b>	<b>17,392</b>	<b>17,287</b>	<b>+60</b>	
Other	2,809	2,846	2,896	3,324	3,764	4,356	4,428	3,953	+629	
<b>Net Assets</b>	<b>19,506</b>	<b>19,812</b>	<b>20,046</b>	<b>20,551</b>	<b>21,121</b>	<b>21,717</b>	<b>21,820</b>	<b>21,240</b>	<b>+689</b>	
<b>Total Liabilities &amp; Net Assets</b>	<b>28,001</b>	<b>27,337</b>	<b>28,223</b>	<b>29,008</b>	<b>29,691</b>	<b>31,092</b>	<b>31,929</b>	<b>32,017</b>	<b>+3,009</b>	
Equity Capital	17,096	17,381	17,586	17,962	18,492	18,945	19,016	18,533	+571	
Interest Bearing Debt	1,779	1,111	983	910	1,314	1,928	1,856	2,853	+1,943	
<b>Net Debt</b>	<b>(2,742)</b>	<b>(2,877)</b>	<b>(3,107)</b>	<b>(3,091)</b>	<b>(2,498)</b>	<b>(2,238)</b>	<b>(2,316)</b>	<b>(1,403)</b>	<b>+1,688</b>	
Equity Ratio	61.1%	63.6%	62.3%	61.9%	62.3%	60.9%	59.6%	57.9%	-	
Net Debt Equity Ratio	(16.0%)	(16.6%)	(17.7%)	(17.2%)	(13.5%)	(11.8%)	(12.2%)	(7.6%)	-	
ROE (12 months)	10.0%	12.0%	11.7%	10.7%	5.8%	5.2%	4.4%	3.4%	-	
ROA (12 months)	6.2%	7.9%	7.7%	7.1%	6.1%	5.8%	4.7%	3.4%	-	
Days for Inventory Turnover	98	98	95	98	104	101	99	97	-	
Quick Ratio	151%	162%	152%	149%	148%	145%	134%	123%	-	
Current Ratio	223%	244%	227%	229%	234%	226%	211%	196%	-	

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 02/2022	Q1 to Q2 02/2022	Q1 to Q3 02/2022	Q1 to Q4 02/2022	Q1 02/2023	Q1 to Q2 02/2023	Q1 to Q3 02/2023	Q1 to Q4 02/2023		
Operating Cash Flow	-	1,327	-	2,333	-	535	-	515	(1,818)	
Investing Cash Flow	-	1,043	-	603	-	(718)	-	(1,172)	(1,775)	
<b>Operating Cash Flow and Investing Cash Flow</b>	<b>-</b>	<b>2,370</b>	<b>-</b>	<b>2,936</b>	<b>-</b>	<b>(183)</b>	<b>-</b>	<b>(657)</b>	<b>(3,593)</b>	
Financing Cash Flow	-	(2,504)	-	(2,937)	-	487	-	1,227	+4,164	

Source: Company Data, WRJ Calculation



**Disclaimer**

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

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