Summary of Consolidated Financial Results For the Year Ended February 28, 2015
Japanese Standards (Consolidated)

Apr 10, 2015

Listed Company name	MORESCO Corporation		
Stock code 5018	URL http://www.moresco.co.jp/		
Stock exchange listing	Tokyo Stock Exchange, First Section		
Representative	President	Tamio Akada	
Contact	Senior Operating Officer	Hirokazu Miyagawa	TEL 078-303-9010

Annual General Meeting of Shareholders May 26, 2015 — Date for dividend Payment May 27, 2015
Date of release of Financial Report (Scheduled) May 26, 2015
Supplementary materials for the Financial Result: Yes
Investor conference for the Financial Result: Yes (For institutional investors and analysts)

(Amounts of less than one million yen are rounded off to the nearest million yen)

1. Consolidated Financial Results (Mar 1, 2014 – Feb 28, 2015)

(1) Performance (% figures denote year-on year change)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Year ended Feb 28, 2015	26,820	13.1	2,250	23.8	2,765	37.4	1,639	35.3
Year ended Feb 28, 2014	23,724	18.7	1,818	101.8	2,012	72.1	1,212	83.1

(Note) Comprehensive income for the year ended Feb 28, 2015 ¥2,533 million (39.9%) Comprehensive income for the year ended Feb 28, 2014 ¥1,811 million (87.5%)

	Net Income per Share	Diluted Net Income per Share	Return on Equity	Total Asset/ Ordinary Income	Operating Margin
	(¥)	(¥)	%	%	%
Year ended Feb 28, 2015	169.52	-	14.8	12.5	8.4
Year ended Feb 28, 2014	132.48	-	13.6	11.4	7.7

(Ref) Share of (profit) loss of entities accounted for using equity method for the year ended Feb 28, 2015 ¥203 million Share of (profit) loss of entities accounted for using equity method for the year ended Feb 28, 2014 ¥187 million

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ million	¥ million	%	¥
Year ended Feb 28, 2015	24,411	13,396	49.1	1,238.66
Year ended Feb 28, 2014	19,657	11,187	51.7	1,050.34

(Ref) Equity for the year ended Feb 28, 2015 ¥11,975 million Equity for the year ended Feb 28, 2014 ¥10,154 million

(3) Cash Flow

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at Year-End
	¥ million	¥ million	¥ million	¥ million
Year ended Feb 28, 2015	2,263	(2,178)	646	2,221
Year ended Feb 28, 2014	1,286	(2,210)	1,245	1,441

2. Dividends

	Annual Dividends (¥)					Total Dividends Paid (Full year)	Consolidated Payout Ratio (cons.)	Dividends on Consolidated Net Assets (cons.)
	1Q	2Q	3Q	Year-end	Full-year			
	¥	¥	¥	¥	¥	¥ million	%	%
Year ended Feb 28, 2014	-	12.50	-	17.50	30.00	290	22.6	3.1
Year ended Feb 28, 2015	-	17.50	-	22.50	40.00	387	23.6	3.5
Year ending Feb 29, 2016 (Forecast)	-	20.00	-	20.00	40.00		22.7	

3. Forecast for the Year Ending Feb 29, 2016 (Mar 1, 2015 – Feb 29, 2016)

% indicates changes from the previous corresponding period

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
2Q (Sum TTL)	14,500	12.9	1,100	11.3	1,200	7.9	750	15.2	77.58
Year ending Feb 29, 2016	30,400	13.3	2,400	6.7	2,800	1.3	1,700	3.7	175.85

* Notes

(1) Change in significant subsidiaries during the period under review
(Change in specific subsidiaries accompanying changes in scope of consolidation) Yes
TIANJIN MORESCO TECHNOLOGY CO., LTD.

(2) Changes in accounting policies, changes in accounting estimates, restatements

(i) Changes in accounting policies pursuant to revision of accounting standards Yes

(ii) Changes in accounting policies other than the above None

(iii) Changes in accounting estimates None

(iv) Restatement None

(Note) For details, please refer to page 23 in the following attached document "4.Consolidated Financial Statement (5) Notes Relating to Consolidated Financial Statements (Changes in accounting policies)"

(3) Number of outstanding shares (ordinary shares)

(i) Number of shares outstanding at term end (including treasury shares)	Year ended Feb 28, 2015	9,668,000	Year ended Feb 28, 2014	9,668,000
(ii) Number of treasury shares at term end	Year ended Feb 28, 2015	610	Year ended Feb 28, 2014	578
(iii) Average number of shares during the period	Year ended Feb 28, 2015	9,667,422	Year ended Feb 28, 2014	9,146,246

(Note) Regarding the number of shares used as the basis for the calculation of the Net Assets per Share (consolidated), please refer to "Per Share Information" on page 29.

(Ref) Brief Summary of Individual Performance

1. Individual performance of year ended Feb 28, 2015 (From Mar 1, 2014 – Feb 28, 2015)

(1) Individual Business Result (% figures denote year-on year change)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Year ended Feb 28, 2015	17,658	8.4	1,220	18.1	1,654	34.7	1,109	42.9
Year ended Feb 28, 2014	16,296	9.5	1,032	66.5	1,227	45.4	776	68.5

	Net Income per Share	Diluted Net Income per Share
	¥	¥
Year ended Feb 28, 2015	114.69	-
Year ended Feb 28, 2014	84.85	-

(2) Individual Financial Position

	Total Assets	Net Assets	Equity ratio	Net Assets per share
	¥ million	¥ million	%	¥
Year ended Feb 28, 2015	17,442	8,641	49.5	893.88
Year ended Feb 28, 2014	14,344	7,877	54.9	814.75

(Ref) Equity ¥8,641 million (At Feb 28, 2015) ¥7,877 million (At Feb 28, 2014)

* Note on the current progress of the audit
This summary of consolidated financial results is not included among the audit targets according to the Financial Instruments and Exchange Act, and the audit regarding the consolidated financial statement is being conducted according to the Financial Instruments and Exchange Act at the time this summary of consolidated financial results is announced.

* Disclaimer regarding appropriate use of performance forecasts and other important matters
The forecasts and future projections stated in this report have been prepared on the basis of information and assumptions that are reasonable as of the date of announcement of this summary information, and actual results could differ significantly from forecast figures depending on a variety of factors. For information regarding performance forecasts, please refer to "Analysis of Business Result (Outlook for the next fiscal year)" on page 6.

(How to Obtain Supplementary Explanation Materials for Settlement)
MORESCO will hold a briefing session for institutional investors and analysts on April 20, 2015. Supplementary explanation materials delivered in this session will be put on MORESCO's website on April 17, 2015.

* Change in money amount unit
The unit of money amount denoted in the consolidated financial statements is changed from thousand to million from the current consolidated fiscal year.

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1. Analysis of Business Results and Financial Position

(1) Analysis of Business Results

The Japanese economy during the current consolidated fiscal year has continued amidst a tough economic climate, posting negative economic growth at times due to sluggish consumer spending after the consumption tax increase while corporate earnings were polarized due to increased exports thanks to the depreciation of the yen and the high cost of raw materials.

On the other hand, the U.S. economy has continued strong sales due to the employment upturn and high consumer spending. The Chinese economy maintained high rates of economic growth in the seven percent range though there exist some structural concerns, while economic slowdown trends were observed in emerging countries mainly in Southeast Asia due to currency depreciation caused by political and financial problems.

In our group companies under such circumstances, net sales in die-casting lubricants and lubricants for hot forging that we took over from NICCA CHEMICAL CO., LTD increased amid a drop in domestic demand while the production of hot melt adhesives for paper diapers expanded steadily in Indonesia, contributing to the increase of net sales.

As a result, consolidated net sales during the current fiscal year ended Feb 28, 2015 was 26,820 million yen (up 13.1% compared with the previous fiscal year), ordinary income was 2,765 million yen (up 37.4% compared with the previous year), and net income was 1,639 million yen (up 35.3% compared with the previous fiscal year).

The summaries of business performance by segment are as below.

(i) Japan

(Functional fluids)

In the area of functional fluids which are our main products, net sales for die-casting lubricants and the lubricants for hot forging which were transferred from NICCA CHEMICAL CO., LTD. significantly contributed to performance though there has been a drop in auto production since the consumption tax increase.

In addition, net sales for water soluble cutting fluids increased due to strong shipping volume to existing customers as well as gaining new customers.

(Synthetic lubricants)

High temperature synthetic lubricating oils, supported by strong growth in exports to China and North America by our customers, continued strong sales. The procedure to replace hard disk surface lubricants with new higher-priced products progressed smoothly which, along with the impact of yen's depreciation, resulted in net sales exceeding that of the previous fiscal year.

(Liquid paraffin & sulfonate)

Net sales of liquid paraffin for the production of separators for lithium ion batteries as well as for application to cosmetic materials were robust. However, toward the end of the year it showed sluggish demand for export. Moreover, petroleum sulfonate which is used as an additive for metal working fluid maintained robust exports.

(Hot melt adhesives)

Hot melt adhesives for sanitary products such as paper diapers for adults as well as adhesives applications and automotive applications became almost equal to net sales in the previous year due to inventory adjustment, etc.

As a result, net sales for the segment were 21,007 million yen (up 9.2% compared with the previous fiscal year), and segment income was 1,396 million yen (up 15.9% compared with the previous fiscal year).

(ii) China

In China, the growth rate of car production decreased but supported by stable car production, net sales of die-casting lubricants and fire resistant hydraulic fluids exceeded those of the previous year. Total net sales also showed a steady performance.

Net sales for the segment were 2,632 million yen (up 16.0% compared with the previous fiscal year), and segment income was 313 million yen (up 28.2% compared with the previous fiscal year).

(iii) Southeast Asia

In Thailand, car production has declined year on year and sales of specialty lubricants centered around die-casting lubricants has been under a harsh economic climate but production of hot melt

adhesives for paper diapers for children in Indonesia grew steadily and net sales of die-casting lubricants and lubricant for hot forging showed robust net sales. As a result, it continued to thrive in the whole of Southeast Asia.
Net sales for the segment were 3,710 million yen (up 34.2% compared with the previous fiscal year), and segment income was 432 million yen (up 54.3% compared with the previous fiscal year).

(iv) North America
In North America, backed by brisk car production, sales for automobile-related customers increased steadily and in addition, net sales of die-casting lubricants increased in the Mexican market, which we entered this year. In addition, sales of synthetic lubricants and lubricants for hot forging we took over from NICCA CHEMICAL CO., LTD. also greatly contributed to net sales.
Net sales for this segment were 818 million yen (up 60.7% compared with the previous fiscal year), and segment income was 46 million yen (up 36.5% compared with the previous fiscal year).

(Outlook for the next fiscal year)
On the back of demand increase of emerging countries mainly in China and in Southeast Asia, it is estimated that there is no change for a stream of overseas production by the automobile, motorcycle, paper diaper, and electronic device makers which are our main customers. In Japan, there is little expectation of substantially increasing sales of die-casting products due to sluggish growth in car production. On the other hand, there is a wider range of fields we can expect to grow in the future, including information-related products and aircraft-related products; in addition, an expansion of demand in the healthcare related area is also expected as society ages.
Under these circumstances, the Company aims to contribute broadly to society by developing new products in advance in anticipation of diverse needs in the field of growth sectors or areas both domestically and overseas.

	Estimated net sales	Composition	Growth rate
Chemical business	30,350	99.8%	13.2%
Functional fluids division	[13,930]	[45.8%]	[13.0%]
Synthetic lubricants division	[2,970]	[9.7%]	[6.6%]
Liquid paraffin & sulfonate division	[4,010]	[13.2%]	[(0.3%)]
Hot melt adhesives division	[8,140]	[26.8%]	[29.0%]
Others	[1,300]	[4.3%]	[(1.1%)]
Rental building business	50	0.2%	(7.2%)
Total	30,400	100.0%	13.3%

(2) Analysis of Financial Position
(i) Status of Assets, Liabilities and Net Assets
Total assets as of the end of the consolidated fiscal year ended February 28, 2015 increased by 4,754 million yen to 24,411 million yen compared with the end of the previous consolidated fiscal year. The main factors include an increase in notes and accounts receivable-trade by 984 million yen, an increase in inventories by 810 million yen, and an increase in property, plant and equipment by 1,603 million yen.
Liabilities increased by 2,545 million yen compared with the end of the previous consolidated fiscal year to 11,015 million yen. The main factors include an increase in notes and accounts payable-trade by 615 million yen and an increase in short-term loans payable by 816 million yen.
Net assets increased by 2,208 million yen compared with the end of the previous consolidated fiscal year to 13,396 million yen. The main factors include an increase in retained earnings of 1,300 million yen, an increase in foreign currency translation adjustment of 492 million yen, and an increase in minority interests of 388 million yen.

(ii) Status of Cash Flow
Cash and cash equivalents as of the end of the consolidated fiscal year ended February 28, 2015 increased by 780 million yen to 2,221 million yen compared with the end of previous consolidated fiscal year.
Status of cash flows is as below.
Net cash provided by operating activities was 2,263 million yen (an inflow of 1,286 million yen for the previous fiscal year). This is mainly attributable to cash inflow of net income before income taxes

and minority interests and increase in notes and accounts payable-trade, etc. exceeding cash outflow of increase in notes and accounts receivable-trade and increase in inventories.
Net cash used in investment activities was 2,178 million yen (an outflow of 2,210 million yen for the previous fiscal year). This is attributable to payments for purchase of property, plant and equipment.
Net cash provided by financial activities was 646 million yen (an inflow of 1,245 million yen for the previous fiscal year). This is mainly attributable to inflow of short-term and long-term loans payable, etc.

(Ref) Transition of Cash Flow-Related Indexes

Accounting period / Item	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
Equity ratio (%)	52.2	47.1	49.4	51.7	49.1
Equity ratio based on market value (%)	66.7	48.3	44.5	75.7	88.6
Years for debt redemption (years)	0.7	1.8	4.3	1.8	1.5
Interest coverage ratio (fold)	73.2	50.2	21.0	55.7	104.1

(Note) Equity ratio: Equity/Net assets
Equity based on market value: Aggregate market value/Net assets
Years for debt redemption: Interest-bearing debt/Cash flow from operating activities
Interest coverage ratio: Cash flow from operating activities/Interest payment

* Each index is calculated with financial figures on a consolidated basis.
* Aggregate market value is calculated by final value of the stock at fiscal year-end multiplied by the number of issued stocks at fiscal year-end.
* Interest-bearing debt covers all debts for which interest is paid that are recorded in the consolidated balance sheet.
* Cash flow from operating activities uses the figures used in cash flow from operating activities on the consolidated statement of cash flows.

(3) Basic Policies regarding Profit Sharing and Dividends for This Term and Next Term

With respect to profit sharing, the basic policy of the Company is to secure the retained reserves necessary for future business expansion and enhancement of business structure, as well as to return profits to shareholders, taking into account the business results.
The year-end dividend for the fiscal year ended February 28, 2015 is planned at 22.5 yen per share. As a result, the annual dividend per share, together with the interim dividend of 17.5 yen, will be 40.0 yen.
The dividend for the fiscal year ending February 29, 2016 is planned at 20.0 yen per share for the interim dividend, 20.0 yen per share for the year-end dividend, and 40.0 yen per share for the annual dividend.

(4) Risks in Business, etc.

The following items are potential risks that may impact the business results, financial position, etc. of the Group. The Group is aware of these potential risks and puts in place policies to avoid their occurrence as well as to take measures in the event of such occurrence.
Forward-looking statements described herein are those determined by the Group as of the date on which financial statements were announced (April 10, 2015).

1. Risks Relating to Characteristics of Major Products

(Functional fluids division)
The functional fluids division manufactures and sells industrial lubricating oil including high vacuum pump oils, fire resistant hydraulic fluids, die-casting lubricants, cutting fluids, and lubricants for hot forging, and its sales amount for the fiscal year ended February 28, 2015 accounts for 46.0% of the entire Group.
Functional fluids are products with higher performance in specific functions such as heat resistance, pressure resistance, fire resistance, wear resistance, etc. compared with general engine oil, gear oil, machine oil, etc. The scale of the individual market is small in that this covers markets in specific fields. That said, it has been recognized that high vacuum pump oils, fire resistant hydraulic fluids, and die-casting lubricants in particular retain a high market share, and expanding the share in existing markets is difficult. In addition, as can be seen from the sudden decrease in demand from the latter half of 2008, it is greatly dependent on the operational status of the user industry. Furthermore, of the users of products of the Company, automobile and electric equipment manufacturers in particular are shifting their factories overseas, which may impact the demand for products of the Company. As a countermeasure, the Company established a local subsidiary and placed a production site in Thailand in the fiscal year ended February 29, 1996, and in China in the fiscal year ended February 28, 2002.

The Company also acquired an interest (70%) of MORESCO HANANO DIE-CASTING COATING (SHANGHAI) CO. LTD. in February 2010. Furthermore, a local subsidiary was established in Indonesia in June 2011, and a production site has been established. If these measures do not provide results as expected, the business performance of the Group may be affected.
Environmental interests are increasing every year by the users of products of the Company, and products such as eco-friendly lubricants are in demand. The Group focuses on developing products that contribute to reducing environmental impact; however, should development be delayed, the business performance of the Group may be impacted.

(Synthetic lubricants division)
The synthetic lubricants division manufactures and sells industrial synthetic lubricants including high temperature lubricating oils, hard disk surface lubricants, etc., and its sales amount for the fiscal year ended February 28, 2015 accounts for 10.4% of the entire Group.
This division also covers markets in specific fields, and therefore the scale of individual markets is small. High temperature lubricating oils are mainly for cars, and as its sales are greatly dependent on the number of cars produced, development of new products has been made in an effort to increase sales in applications other than automotive. In addition, it has been recognized that hard disk surface lubricants also have a high market share, and their sales significantly depend on the production trend of hard disk drives. With hard disk bit density becoming higher, high quality performance from lubricants is also demanded. As such, development of new products in response to this demand has been made, but the business may be impacted if these developments do not give expected results.

(Hot melt adhesives division)
The hot melt adhesives division manufactures and sells hot melt adhesives for mainly sanitary-related products such as paper diapers for adults. Its sales amount for the fiscal year ended February 28, 2015 accounts for 23.5% of the entire Group. User demands for hot melt adhesive functions vary in many ways according to the material to be adhered, adhesion conditions and use environment, etc. Particularly in these days, development of new products to improve product functions on the user side is frequently taking place, leading to stricter requests to the Company regarding product development.
The Group has technical teams and utilizes its know-how accumulated over many years for quick development of new products. However, delay in handling may impact business performance.

2. Risks Relating to Product Manufacturing
   (Synthetic lubricants division)
   The Company possesses synthesizing equipment to manufacture high temperature lubricating oils at the Akoh plant, and equipment to manufacture hard disk surface lubricants at the Head Office/R&D center. Should a critical issue occur at the plant or Head Office and cause long-term suspension of equipment operation, supply of products may halt temporarily. The capacity of reserves is approximately 1.0 months.

   (Liquid paraffin & sulfonate division)
   The Company produces liquid paraffin and its co-product sulfonate through the sulfuric acid refining method. The advantage of the sulfuric acid refining method adopted by the Company is that it can produce sulfonate as a co-product; however, the disadvantage is that waste sulfuric acid is generated in the manufacturing process. The Company connects an adjacent waste sulfuric acid recycler with a pipeline and establishes a consistent production line including waste sulfuric acid treatment (closed system). However, because waste sulfuric acid is treated with equipment at another company, production capacity of the division may be impacted if changes such as relocation or reduction of the plant of the other company arise.
   Furthermore, the Company produces liquid paraffin and sulfonate only at the Chiba plant, therefore should a critical issue occur at the plant and cause long-term suspension of plant operation, the supply of products may temporarily halt. The capacity of reserves is approximately 1.0 months.

3. Risks in Accordance with Purchase of Raw Materials
   Products of the Group use lubricating oil, petroleum-based chemicals, and chemicals as main raw materials, and such raw materials are influenced by price fluctuations of crude oil and naphtha. Crude oil prices and naphtha prices dropped after a surge in 2008 but are rising again, and these raw materials may continue to be impacted by such fluctuations and movements in demand within and outside Japan. The raw material manufacturing plants were also affected by the Great East Japan

Earthquake. Suspension of supply due to disasters and accidents, or reorganization of business or products on the supplier side may impact procurement of raw materials.
As measures against impacts caused by fluctuation of raw material prices, the Group will strive to shift to product prices as well as cut costs and introduce high added-value products through initiatives including revising product prices in line with crude oil and naphtha prices with the major customers of functional fluids. We will secure the necessary raw materials through diversification of raw material suppliers and raw materials to be used. However, insufficient handling may impact business performance.

4. Level of Dependency on Specific Industries
The proportion of use of products of the Company not only in Japan but also by Japanese car manufacturers and auto parts manufacturers in Southeast Asia and China is increasing every year. The trend in the automotive industries in these regions may impact business performance.

5. Level of Dependency on Specific Business Partners
The Company was separated and established in 1958 from MATSUMURA OIL Co., Ltd. ("MATSUMURA OIL"), whose business was mainly in manufacturing and selling general-purpose lubricants, with the purpose of manufacturing and selling functional fluids, mainly high vacuum pump oil.
As of February 28, 2015, MATSUMURA OIL is a major shareholder with 11.0% of the Company's voting rights. The proportion of its net sales relative to the net sales of the Group for the past two fiscal years is 20.7% (4,907 million yen) for the fiscal year ended February 28, 2014 and 19.2% (5,139 million yen) for the fiscal year ended February 28, 2015.
Sales channels from the Company to MATSUMURA OIL and from MATSUMURA OIL to end users are mainly limited to customers developed through MATSUMURA OIL's sales network before the Company's sales system was established. Sales dependency on MATSUMURA OIL is particularly high for high vacuum pump oil, fire resistant hydraulic fluids, and die-casting lubricants.
Since the proportion of net sales attributable to MATSUMURA OIL for the entire Group is high, if changes occur between the transactional relationship with MATSUMURA OIL, business performance may be affected.

6. Legal Restrictions
Major legal restrictions and administrative guidance that regulate products and offices of the Company are as below. New amendments in laws, regulations, ordinances, etc. may impact the business performance of the Group.
- Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc.
- Industrial Safety and Health Act
- Fire Service Act
- Water Pollution Control Act
- Waste Management and Public Cleansing Act
- Act on the Prevention of Disaster in Petroleum Industrial Complexes and Other Petroleum Facilities

With increasing awareness regarding the environment, the "Water Pollution Control Act" and the "Waste Management and Public Cleansing Act" may be further amended in the future. Should waste, effluent treatment, etc. from plants of the Company be further regulated, development of treatment methods within the plant, investment in equipment, etc. would be required, and may impact the business results of the Group.

7. Product Quality
The Group strives to maintain and enhance the quality and reliability of its products based on strict internal quality assurance systems including the acquisition of ISO 9001 certification. However, it is impossible to completely eliminate risks caused by quality defects, and should unexpected defects, etc. occur, there are risks of lawsuits, etc. If a quality assurance issue arises in products of the Company, it would cause compensation charges as well as loss of product reliability which will lead to losing customers, and may impact the business performance of the Group. Although the Group has insurance for product liability claims, there is no guarantee that the entire amount of compensation would ultimately be covered, and product defects may impact the business results of the Group.

8. Policies regarding Patent Application

The Group basically applies for patents for novel technologies it has developed. However, for those for which infringement cannot be easily found in patents relating to manufacturing methods or those for which the combination know-how may leak to other companies by disclosing the composition in patents relating to functional fluids, application may be withheld to retain confidentiality. Therefore, when patents relating to said matters are applied for, the patent may be granted. In preparation to these cases, the Company keeps records of execution of such matters, and has measures to claim "nonexclusive license by virtue of prior use."

9. Development in Overseas Markets
   The Group promotes business outside Japan by placing production and sales sites through establishment of local subsidiaries in Thailand, China, USA, and Indonesia. Overseas net sales for products of the Group were 7,404 million yen for the fiscal year ended February 28, 2014 and 9,513 million yen for the fiscal year ended February 28, 2015, mainly from the Asian regions including Southeast Asia and China, and their proportion to net sales were 31.2% and 35.5%, respectively. Economic fluctuations, fluctuation of currency value, changes in political situations and changes in legislation in these overseas markets may impact the business performance of the Group.

2. Corporate Group Status

The Group consists of MORESCO Corporation, 12 consolidated subsidiaries, and two affiliated companies accounted for by the equity-method. Its major business is manufacturing/sales of chemicals (functional fluids, synthetic lubricants, liquid paraffin & sulfonate, and hot melt adhesives), the major products of which are as follows.

Functional fluids

High vacuum pump oils, fire resistant hydraulic fluids, die-casting lubricants, lubricant for hot forging, cutting fluids, brake fluids/antifreeze, heat-conducting media

Synthetic lubricants

High temperature lubricating oils, hard disk surface lubricants, radiation-resistant lubricants

Liquid paraffin & sulfonate

Liquid paraffin and sulfonates

Hot melt adhesives

Hot melt adhesive

In addition to the chemical business, the Company owns a commercial office building in Chuo-ku, Osaka, and runs a rental building business in Japan.

The segments of the Group consists of region-specific segments based on manufacturing/sales systems, with the four reporting segments of Japan, China, Southeast Asia, and North America.

In Japan, the Company manufactures and sells major products. Brake oils and antifreeze are manufactured and sold by ETHYLENE CHEMICAL CO., LTD.

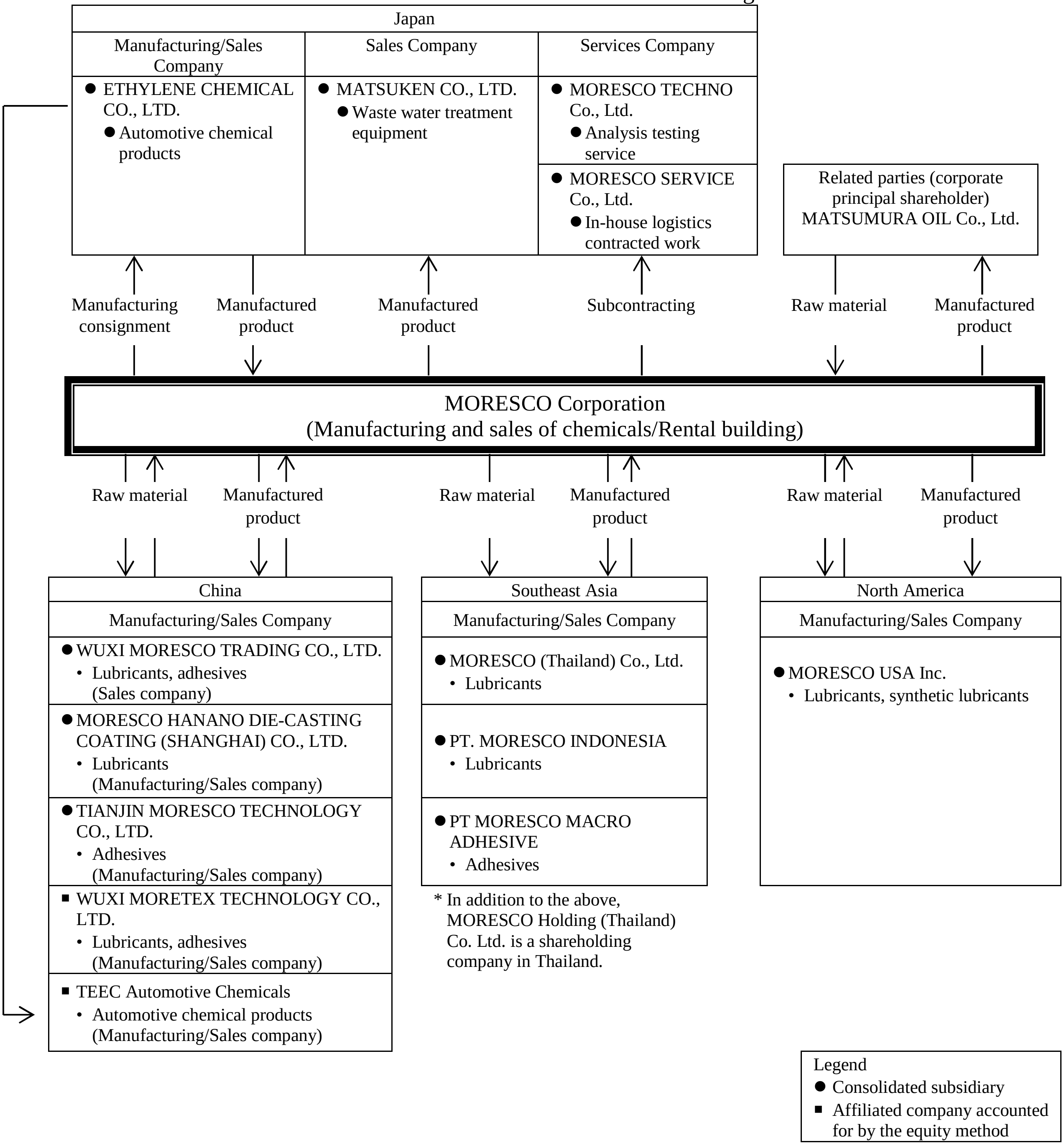
In China, WUXI MORETEX TECHNOLOGY CO., LTD. manufactures functional fluids and adhesives, and WUXI MORESCO TRADING CO., LTD. sells the products. In addition, MORESCO HANANO DIE-CASTING COATING (SHANGHAI) CO., LTD. manufactures and sells functional fluids. Furthermore, TIANJIN MORESCO TECHNOLOGY CO., LTD. is now constructing a manufacturing plant to manufacture and sell hot melt adhesives.

As for Southeast Asia, functional fluids are manufactured and sold by MORESCO (Thailand) Co., Ltd. in Thailand as well as by PT. MORESCO INDONESIA in Indonesia. In addition, in Indonesia, PT. MORESCO MACRO ADHESIVE manufactures and sells hot melt adhesives.

In North America, MORESCO USA Inc. manufactures and sells functional fluids and synthetic lubricants in the USA.

Business structure diagram

The matters described above are illustrated in the business structure diagram below.



3. Management Policy

(1) Basic Policies

Under the motto of "R&D for users" which is our management philosophy, MORESCO Group is aiming to meet today's needs in the field of interface science (the study of friction, wear, and other phenomena in areas where objects come into contact with one another), contribute to development of society as a specialist in water, oil, and macromolecules, and strive to shine in the global market.

(2) Performance Targets

The Group has drafted its medium-term business plan covering the period from Mar 2015. In the business plan, the Group will focus on management indices of Net Sales, Ordinary Income, and Ordinary Income margin.

(3) Medium- and Long-Term Management Strategy

Medium-term management policy

(i) Deliver unparalleled quality and value to our customers.
(ii) Achieve best-in-class technology and products with a competitive cost position.
(iii) Prioritize new markets for growth and diversification by collaborating with customers and partners.
(iv) Be the best place to work and the best corporate partner for the local communities

	Net Sales (¥ million)	Ordinary Income (¥ million)	Ordinary Income margin (%)
Year ending Feb 29, 2016	30,400	2,800	9.2
Year ending Feb 28, 2017	34,000	3,100	9.1
Year ending Feb 28, 2018	37,600	3,800	10.1

In the medium-term business plan, we implement the following strategies with the aim of achieving the target of Net Sales ¥37.6 billion, Ordinary Income ¥3.8 billion, Ordinary Income margin 10.1% in the final term of the plan, the fiscal year ending Feb 2018.

(4) Issues to Address

The Japanese economy has been slowly recovering from economic stagnation since the consumption tax increase. During this time, the yen has kept weakening sharply, while on the back of the increase in overseas demand mainly in emerging countries, our main customers which include auto-parts manufacturer and paper diaper makers have not changed their trends of overseas production.

The price of crude oil and naphtha, our main raw materials, dropped sharply in the short run but there is still a geopolitical risk and we are in an unclear situation.

Under these circumstances our group is focusing on the markets of China, Southeast Asia and North America where growth is expected to continue in the future. We have already established subsidiaries in China, Thailand, and Indonesia as bases of production and sales and corresponding to local demands. In addition, a new plant for hot melt adhesives is under construction in Tianjin, China where we are working on to keep up with demand for adhesive agents for paper diapers in the Chinese market. In North America, while continuously developing the market, we will aggressively take in demands of auto-parts manufacturers in Mexico where our US subsidiary's representative office is located.

In new product development, we are focusing on three business areas: the environment-related area, the information-related area and the energy device area. We are also focusing on product development that meets the demands of customers at home and abroad, further strengthening our core technology by making use of network of personal contacts and technical resources.

In production, we are driving forward stable quality, improvement of production efficiency and cost reduction, strengthening optimum procurement of raw materials and optimum production, and the establishment of a global production system in the production site of the group as well as domestic plants.

Focus of R&D

Environment-related area

Highly functional products that contribute to saving resources and energy will be developed in the functional lubricants area which plays an important role in the manufacturing process of auto-related parts. Initiatives will be made to develop highly-original products such as die-casting lubricants that achieve superior die releasing properties and lubricity with a small amount of application, cutting fluids that can process hard-to-cut materials, and lubricants for parts processing of the aviation industry.

In the area of hot melt adhesives that do not contain solvents and contribute to reducing environmental impact, responsive-type hot melt adhesives, etc. are adopted in certain cars for interior application by Japanese car manufacturers. We will further improve the fire resistance performance of such adhesives while achieving lower costs and extending their application to interior parts that have not been so far used, leading to their global expansion.

Information-related area

It is estimated that demand for hard disk drive will continue to increase for cloud servers, we will make an effort to provide high-functional hard disk surface lubricants compatible with higher next-generation recording methods. In addition, we will expand the hard disk drives-related business base and comprehensively develop indispensable lubricants such as hydrodynamic bearing lubricants.

Energy devices area

Utilizing organic synthesis technology, combining technology, and modification technology for high polymer materials, development will be accelerated in high-barrier encapsulates that contribute to longer life of organic devices where future growth is anticipated, such as organic EL panels and lighting as well as organic thin-film solar cells. Although a portion has already been adopted in Japan, we will strive for further improving their performance. At the same time, we will focus our energy on winning full-scale adoption by Korean and Taiwanese companies that have a high market share in the field of organic devices, accelerating expansion to new energy related fields.

4. Consolidated Financial Statement

(1) Consolidated Balance Sheet

(Millions of yen)

	Previous fiscal year As of Feb 28, 2014	Current fiscal year As of Feb 28, 2015
Assets		
Current assets		
Cash and deposits	1,724	2,502
Notes and accounts receivable - trade	5,911	6,895
Merchandise and finished goods	2,048	2,396
Raw materials and supplies	1,230	1,692
Deferred tax assets	190	208
Other	232	145
Allowance for doubtful accounts	(38)	(22)
Total current assets	11,296	13,815
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,525	3,664
Accumulated depreciation	(2,329)	(2,405)
Buildings and structures, net	1,195	1,259
Machinery, equipment and vehicles	7,144	7,465
Accumulated depreciation	(6,095)	(6,319)
Machinery, equipment and vehicles, net	1,048	1,146
Land	2,425	2,438
Leased assets	109	109
Accumulated depreciation	(48)	(60)
Leased assets, net	61	50
Construction in progress	46	1,495
Other	1,778	1,882
Accumulated depreciation	(1,477)	(1,589)
Other, net	301	293
Total property, plant and equipment	5,077	6,679
Intangible assets		
Goodwill	1,238	1,111
Leased assets	50	35
Other	346	609
Total intangible assets	1,634	1,756
Investments and other assets		
Investment securities	375	388
Investments in capital	881	1,101
Deferred tax assets	296	143
Net retirement benefit asset	-	402
Other	99	160
Allowance for doubtful accounts	(1)	(34)
Total investments and other assets	1,650	2,160
Total non-current assets	8,361	10,595
Total assets	19,657	24,411

	Previous fiscal year As of Feb 28, 2014	Current fiscal year As of Feb 28, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,443	5,058
Short-term loans payable	1,082	1,898
Lease obligations	38	33
Income taxes payable	198	454
Provision for bonuses	397	435
Other	700	1,011
Total current liabilities	6,858	8,888
Non-current liabilities		
Long-term loans payable	1,156	1,374
Lease obligations	57	26
Long-term accounts payable - other	64	63
Deferred tax liabilities	15	41
Provision for retirement benefits	268	-
Net retirement benefit liability	-	571
Other	52	52
Total non-current liabilities	1,612	2,127
Total liabilities	8,469	11,015
Net assets		
Shareholders' equity		
Capital stock	2,091	2,091
Capital surplus	1,951	1,951
Retained earnings	5,691	6,991
Treasury shares	(0)	(1)
Total shareholders' equity	9,731	11,032
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	65	67
Foreign currency translation adjustment	358	850
Remeasurements of retirement benefit plans	-	26
Total accumulated other comprehensive income	423	943
Minority interests	1,033	1,421
Total net assets	11,187	13,396
Total liabilities and net assets	19,657	24,411

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

(Consolidated Statement Of Income)

(Millions of yen)

	Year Ended Feb 28, 2014	Year Ended Feb 28, 2015
Net sales	23,724	26,820
Cost of sales	16,576	18,704
Gross profit	7,148	8,116
Selling, general and administrative expenses	5,330	5,866
Operating income	1,818	2,250
Non-operating income		
Interest income	11	15
Dividend income	11	11
Foreign exchange gains	-	244
Share of profit of entities accounted for using equity method	187	203
Other	53	77
Total non-operating income	261	550
Non-operating expenses		
Interest expenses	23	22
Foreign exchange losses	19	-
Loss on retirement of non-current assets	5	6
Share issuance cost	13	-
Other	5	8
Total non-operating expenses	67	35
Ordinary income	2,012	2,765
Income before income taxes and minority interests	2,012	2,765
Income taxes - current	377	706
Income taxes - deferred	268	143
Total income taxes	645	849
Income before minority interests	1,368	1,916
Minority interests in income	156	277
Net income	1,212	1,639

(Consolidated Statement Of Comprehensive Income)

(Millions of yen)

	Year Ended Feb 28, 2014	Year Ended Feb 28, 2015
Income before minority interests	1,368	1,916
Other comprehensive income		
Valuation difference on available-for-sale securities	42	7
Foreign currency translation adjustment	316	558
Share of other comprehensive income of entities accounted for using equity method	85	52
Total other comprehensive income	443	617
Comprehensive income	1,811	2,533
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,583	2,133
Comprehensive income attributable to minority interests	228	400

(3) Statements of Changes in Consolidated Shareholders' Equity

Previous fiscal year (Mar 1, 2013 – Feb 28, 2014) (Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the term	1,526	1,386	4,706	(0)	7,618
Changes during the period					
Issuance of new shares	565	565			1,129
Dividends from surplus			(227)		(227)
Net income			1,212		1,212
Acquisition of treasury stock				(0)	(0)
Changes in items other than shareholders' equity (net)					-
Total changes during the period	565	565	984	(0)	2,114
Balance at the end of current period	2,091	1,951	5,691	(0)	9,731

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on other marketable securities	Foreign currency translation adjustment	Remeasurements of retirement benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the period	24	28	-	51	816	8,486
Change during the term						
Issuance of new shares				-		1,129
Dividends from surplus				-		(227)
Net income				-		1,212
Acquisition of treasury stock				-		(0)
Changes in items other than shareholders' equity (net)	41	331	-	371	217	588
Total changes during the period	41	331	-	371	217	2,702
Balance at the end of current period	65	358	-	423	1,033	11,187

Current fiscal year (Mar 1, 2014 – Feb 28, 2015) (Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	2,091	1,951	5,691	(0)	9,731
Changes during the period					
Dividends from surplus			(338)		(338)
Net income			1,639		1,639
Acquisition of treasury stock				(0)	(0)
Changes in items other than shareholders' equity (net)					-
Total changes during the period	-	-	1,300	(0)	1,300
Balance at the end of current period	2,091	1,951	6,991	(1)	11,032

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on other marketable securities	Foreign currency translation adjustment	Remeasurements of retirement benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the period	65	358	-	423	1,033	11,187
Changes during the period						
Dividends from surplus				-		(338)
Net income				-		1,639
Acquisition of treasury stock				-		(0)
Changes in items other than shareholders' equity (net)	2	492	26	520	388	908
Total changes during the period	2	492	26	520	388	2,208
Balance at the end of current period	67	850	26	943	1,421	13,396

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Year Ended Feb 28, 2014	Year Ended Feb 28, 2015
Cash flows from operating activities		
Income before income taxes and minority interests	2,012	2,765
Depreciation	633	707
Share of (profit) loss of entities accounted for using equity method	(187)	(203)
Increase (decrease) in provision for retirement benefits	(161)	-
Increase (decrease) in net retirement benefit asset and liability	-	(58)
Increase (decrease) in provision for bonuses	35	35
Increase (decrease) in allowance for doubtful accounts	13	17
Interest and dividend income	(22)	(26)
Interest expenses	23	22
Decrease (increase) in notes and accounts receivable - trade	(1,117)	(800)
Decrease (increase) in inventories	(421)	(677)
Increase (decrease) in notes and accounts payable - trade	784	551
Other, net	(115)	296
Subtotal	1,478	2,627
Interest and dividend income received	101	119
Interest expenses paid	(23)	(22)
Income taxes paid	(277)	(461)
Income taxes refund	8	-
Net cash provided by (used in) operating activities	1,286	2,263
Cash flows from investing activities		
Net decrease (increase) in time deposits	(3)	25
Purchase of property, plant and equipment	(492)	(1,919)
Purchase of intangible assets	(294)	(254)
Purchase of investment securities	(2)	(2)
Decrease (increase) in loans receivable	(1)	3
Payments for transfer of business	(1,408)	-
Other, net	(11)	(31)
Net cash provided by (used in) investing activities	(2,210)	(2,178)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(600)	650
Proceeds from long-term loans payable	1,400	1,000
Repayments of long-term loans payable	(410)	(616)
Proceeds from issuance of common shares	1,129	-
Cash dividends paid	(227)	(339)
Cash dividends paid to minority shareholders	(11)	(12)
Other, net	(36)	(38)
Net cash provided by (used in) financing activities	1,245	646
Effect of exchange rate change on cash and cash equivalents	105	50
Net increase (decrease) in cash and cash equivalents	426	780
Cash and cash equivalents at beginning of period	1,015	1,441
Cash and cash equivalents at end of period	1,441	2,221

(5) Notes Relating to Consolidated Financial Statements

(Notes Relating to Going Concern Assumption)

Not applicable

(Important Matters That Form the Basis for Preparing the Consolidated Financial Statements)

1. Matter of Scope of Consolidation

   Number of consolidated subsidiaries 12 companies

   Name of consolidated subsidiaries

   MATSUKEN CO., LTD.
   MORESCO TECHNO CO., LTD.
   MORESCO SERVICE CO., LTD.
   ETHYLENE CHEMICAL CO., LTD.
   MORESCO (Thailand) Co., Ltd.
   MORESCO Holding (Thailand) Co., Ltd.
   MORESCO USA Inc.
   WUXI MORESCO TRADING CO., LTD.
   MORESCO HANANO DIE-CASTING COATING (SHANGHAI) CO., LTD.
   TIANJIN MORESCO TECHNOLOGY CO., LTD.
   PT. MORESCO INDONESIA
   PT. MORESCO MACRO ADHESIVE

   Regarding TIANJIN MORESCO TECHNOLOGY CO., LTD., it is included in the scope of consolidation since it was newly set up during the current fiscal year.

2. Matter of Application of Equity Method

   (1) Equity method affiliates 2 companies

   Name of affiliates

   WUXI MORE TEX TECHNOLOGY CO., LTD.
   CHINA-TEEC.COM Inc.

   (2) Settlement day of WUXI MORE TEX TECHNOLOGY Co., Ltd. and CHINA-TEEC.COM Inc. is Dec 31. Consolidated financial statement is made with use of financial statements as of even date.

3. Matter of Business Year of Consolidated Subsidiaries

   Settlement day of the following consolidated subsidiaries is Dec 31.

   MORESCO (Thailand) Co., Ltd.
   MORESCO Holding (Thailand) Co., Ltd.
   MORESCO USA Inc.
   WUXI MORESCO TRADING CO., LTD.
   MORESCO HANANO DIE-CASTING COATING (SHANGHAI) CO., LTD.
   TIANJIN MORESCO TECHNOLOGY CO., LTD.
   PT. MORESCO INDONESIA
   PT. MORESCO MACRO ADHESIVE

   The consolidated financial statement is prepared with the use of the financial statement as of the settlement day. Important transactions generated by the consolidated settlement day have been adjusted as necessary for consolidation purposes.

   In the consolidated subsidiaries, settlement day of ETHYLENE CHEMICAL CO., LTD. is Mar 31. Consolidated financial statement is prepared with use of financial statement based on provisional settlement of account, the settlement day of which becomes the end of the consolidated fiscal year.

4. Matters Relating to Accounting Policies

(a) Valuation Standards and Methods for Significant Assets

(1) Securities

Available-for-sale securities

Fair market values available

Stated at fair market value based on the market value, etc. of the closing date (unrealized gains and losses are reported as a separate component of net assets, and cost of sales is computed by the moving-average method).

Fair market values not available

Stated at cost using the moving-average method

(2) Inventories

Stated mainly at cost using the weighted-average method (balance sheet amount is to be calculated by the book value write-down method based on decrease in profitability).

(b) Method of Depreciation of Significant Depreciable Assets

(1) Tangible Fixed Assets (excluding lease assets)

The Company and its consolidated subsidiaries in Japan are depreciated mainly under the declining balance method, and overseas consolidated subsidiaries are depreciated under the straight-line method.

However, for buildings acquired by the Company and its consolidated subsidiaries in Japan on or after April 1, 1998 (excluding auxiliary facilities), the straight-line method is mainly adopted.

Major ranges of useful lives are as follows:

Buildings and structures	7-60 years
Machinery, equipment and vehicles	3-16 years

(2) Intangible Assets (excluding lease assets)

They are depreciated under the straight-line method. Software for internal use is depreciated based on internal useful lives (5 years).

(3) Lease Assets

Lease assets relating to finance leases wherein ownership of the leased asset does not transfer to the lessee

These assets are depreciated over respective lease periods by the straight-line method without residual value.

Of the finance leases which do not transfer ownership of the leased property to the lessee, those commencing on or prior to February 28, 2009 continue to be accounted for in the same method as normal operating leases.

(c) Accounting for Significant Deferred Assets

Stock issuance cost

All costs are processed at the time of payment.

(d) Recording Standards for Significant Allowances

(1) Allowance for Doubtful Accounts

In order to prepare for probable losses on collection, the estimated uncollectable amount is provided for in accordance with the historical write-off ratio in the case of ordinary receivables and provided against estimated losses on collection based on the detailed credit analysis in the case of doubtful accounts and other specific receivables

(2) Accrued Bonuses

To provide for payment of bonuses to employees, provision for bonuses is provided for based on the payments expected for the fiscal year under review.

(e) Accounting Treatment of Retirement Benefit

(1) Imputation Method for Retirement Benefit Estimates

In computing its retirement benefit obligation, the Company applies straight-line attribution as the method for imputing its retirement benefit estimates through the end of the fiscal year under review.

(2) Treatment Method for Actuarial Differences

Actuarial differences are amortized on a straight-line basis from the following fiscal year over a period equaling the average remaining service period of employees expected to receive pension benefits (mainly 14 years) as of the consolidated fiscal year-end.

(f) Conversion Standards of Significant Assets or Liabilities Denominated in Foreign Currency to Japanese Currency
Foreign currency monetary claims and obligations are converted into yen based on the spot exchange rate of the date of the consolidated closing date, and the translation difference is processed as profits and losses. Assets and liabilities of overseas subsidiaries, etc. are converted into yen based on the spot exchange rate of the date of the consolidated closing date, revenue and costs are converted into yen based on the average rate during the fiscal year, and translation difference is included in minority interests and foreign currency translation adjustment in the net assets section for booking.

(g) Method for Significant Hedge Accounting
(1) Method of Hedge Accounting
Deferral hedge accounting is implemented in principle. Exceptional processing is implemented for interest rate swaps that meet the requirements for exceptional processing.
(2) Hedging Methods and Hedging Targets
Hedging method ······· Interest rate swap
Hedging target ········· Loan
(3) Hedging Policy
To reduce interest rate risks and improve financial account balance, hedging is implemented within the range of covered liabilities.
(4) Method of Evaluating Hedge Effectiveness
Interest rate swap transactions have been determined to fall under the requirements of exceptional processing, thus the determination has been deemed to be the evaluation for effectiveness.

(h) Amortization Method and Period for Goodwill
Goodwill is amortized regularly using the straight-line method over the period in which it is effective within 20 years. Any immaterial amounts are fully recognized as incurred.

(i) Scope of Funds in Consolidated Statement of Cash Flows
Consists of cash on hand, deposits able to be withdrawn at any time, and short-term investment which can be easily realized and has low risk regarding fluctuations in value whose maturity arrives within three months from the date of acquisition.

(j) Other Important Matters That Form the Basis for Preparing the Consolidated Financial Statements
Accounting for consumption tax, etc.
Consumption taxes are accounted for by the tax exclusion method.

(Changes in Accounting Policy)

(Application of Accounting Standard for Retirement Benefits, etc.)

From the end of the fiscal year under review, the Company has applied the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012; hereinafter, "the retirement benefit accounting standard") and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012; hereinafter, "the retirement benefit guidance"). (Application excludes content stipulated in paragraph 35 of the retirement benefit accounting standard and stipulated in paragraph 67 of the retirement benefit guidance.)
The Company has changed its previous accounting approach to retirement benefits, with pension assets now subtracted from retirement benefit obligation and posted as the Company's retirement benefit asset and liability. Accordingly, unrecognized actuarial differences are posted as retirement benefit asset and liability.

Application of the retirement benefit accounting standard, etc. is handled in line with the transitional process stipulated in paragraph 37 of the retirement benefit accounting standard. Consequently, at the end of the fiscal year under review, any impact from this accounting change was added to or subtracted from "Remeasurements of retirement benefit plans" listed under "Accumulated other comprehensive income."
As a result of this accounting change, 402 million yen was posted accordingly as the Company's retirement benefit asset and 571 million yen as retirement benefit asset and liability; furthermore, "Accumulated other comprehensive income" at the end of the fiscal year under review increased 26 million yen. Amount of net assets per share increased 2.65 yen.

(Segment Information)

a. Segment Information

1. Summary of Reporting Segment
In respect of the Company's reporting segments, these are, of the constituent units in the Group, those for which separate financial information is available and those that are the subject of regular examination by the board of directors to make decisions on management resource allocation and assessment of performance.
The company sells and produces mainly chemical products (functional fluids, synthetic lubricants, liquid paraffin & sulfonates, hot-melt adhesive) at home and abroad, but the activities abroad are done by affiliated companies in China, Southeast Asia and North America.
The overseas affiliated companies are independent management units which are expanding operations with comprehensive local strategy relating to their handling items.
Accordingly, the Company is configured by segments by region based on production and sales system and constituted by four reporting segments, namely, Japan, China, Southeast Asia, and North America. In segment of Japan, it contains rental building business other than chemical product business.

2. Calculating Method for the Values in Segmental Net Sales, Income & Losses, Assets, and Other Items
The accounting treatment of reported business segments is almost the same as entries on the "Important Matters That Form the Basis for Preparing the Consolidated Financial Statements."
Internal revenues and transfers between segments are based on current market price.

3. Information regarding Net Sales, Income & Loss, Assets in Each Report Segment
Previous fiscal year (Mar 1, 2013 – Feb 28, 2014) (Millions of yen)

	Report segments					Adjustment (Note) 1	Consolidated financial statement amount (Note) 2
	Japan	China	Southeast Asia	North America	Total		
Net sales							
Net sales from external customers	18,224	2,260	2,761	479	23,724	-	23,724
Transactions with other segments	1,019	9	5	30	1,062	(1,062)	-
Total	19,242	2,269	2,766	509	24,786	(1,062)	23,724
Segment income	1,205	244	280	33	1,763	55	1,818
Segment assets	16,932	1,410	2,348	175	20,865	(1,208)	19,657
Other items							
Depreciation	457	16	63	0	537	-	537
Amortization of goodwill	90	-	-	-	90	-	90
Investments in entities accounted for using equity method	880	-	-	-	880	-	880
Increase in property, plant and equipment and intangible assets	1,784	14	116	0	1,913	-	1,913

(Notes)
1. Segment income adjustments ¥55 million include intersegment transaction eliminations ¥51 million, inventory assets adjustments ¥3 million and allowance for doubtful accounts adjustments ¥0 million.
2. Segment assets adjustments -¥1,208 million include setoff between report segment -¥1,602 million, the Group's assets ¥393 million. The Group's assets are our Company's financial assets (cash and deposits and investment securities) which are not attributable to report segment.
3. Segment income has been adjusted for the operating income appearing in the consolidated financial statements.

Current fiscal year (Mar 1, 2014 – Feb 28, 2015) (Millions of yen)

	Report segments					Adjustment (Note) 1	Consolidated financial statement amount (Note) 2
	Japan	China	Southeast Asia	North America	Total		
Net sales							
Net sales from external customers	19,710	2,624	3,705	781	26,820	-	26,820
Transactions with other segments	1,297	8	5	37	1,348	(1,348)	-
Total	21,007	2,632	3,710	818	28,168	(1,348)	26,820
Segment income	1,396	313	432	46	2,187	62	2,250
Segment assets	20,175	3,005	3,250	299	26,729	(2,318)	24,411
Other items							
Depreciation	484	20	71	2	576	-	576
Amortization of goodwill	127	-	-	-	127	-	127
Investments in entities accounted for using equity method	1,101	-	-	-	1,101	-	1,101
Increase in property, plant and equipment and intangible assets	997	1,015	321	13	2,346	-	2,346

(Notes)
1. Segment income adjustments ¥62 million include intersegment transaction eliminations ¥65 million, inventory assets adjustments -¥3 million and allowance for doubtful accounts adjustments ¥1 million.
2. Segment Assets Adjustments -¥2,318 million include offset elimination between report segments -¥2,940 million, the Group's assets ¥622 million. The Group's assets are our Company's financial assets (cash and deposits and investment securities) which are not attributable to report segment
3. Segment income has been adjusted for the operating income appearing in the consolidated financial statements.

b. Relevance Information

Previous fiscal year (Mar 1 2013 – Feb 28, 2014)

1. Information by Products and Service (Millions of yen)

	Functional Fluids	Synthetic Lubricants	Liquid Paraffin & Sulfonate	Hot Melt Adhesives	Other Chemical Products	Rental building business	Total
Net Sales to external customer	10,681	2,380	3,818	5,526	1,265	54	23,724

2. Information by Location

(1) Net Sales

(Millions of yen)

Japan	China	Asia (China excluded)	North America	Other	Total
16,319	2,656	3,982	653	112	23,724

(Note) Net Sales is categorized into country or region on the basis of customer's location.

(2) Property, Plant and Equipment

(Millions of yen)

Japan	China	Asia (China excluded)	North America	Total
4,375	48	654	0	5,077

3. Information by Primary Customers

(Millions of yen)

Name of customer	Net Sales	Related Segment
MATSUMURA OIL CO., LTD.	4,907	Japan

Current fiscal year (Mar 1, 2014 – Feb 28, 2015)

1. Information by Products and Service

(Millions of yen)

	Special Lubricants	Synthetic Lubricants	Liquid Paraffin & Sulfonate	Hot Melt Adhesives	Other Chemical Products	Rental building business	Total
Net Sales to external customers	12,330	2,787	4,024	6,311	1,315	54	26,820

2. Information by Location

(1) Net Sales

(Millions of yen)

Japan	China	Asia (China excluded)	North America	Other	Total
17,307	3,092	5,229	1,080	112	26,820

(Note) Net Sales is categorized into country or region on the basis of customer's location.

(2) Property, Plant and Equipment

(Millions of yen)

Japan	China	Asia (China excluded)	North America	Total
4,838	842	991	10	6,679

(Changes in disclosure method)

In the consolidated current fiscal year, since the property, plant and equipment in China zone occupied more than 10% of those of consolidated balance sheet, we made changes in its Asian region, segmenting to "China" and "Asia (China excluded)." As a result, in "(2) Property, Plant and Equipment" of "2 Information by Location" in the previous fiscal year includes "China" 48 million yen and "Asia (China excluded)" 654 million yen.

3. Information by Primary Customer

(Millions of yen)

Name of customer	Net Sales	Related Segment
MATSUMURA OIL CO., LTD.	5,139	Japan

c. Information by Report Segment Relating to Impairment Loss of Non-Current Assets
Not applicable

d. Information by Report Segment Relating to Amortization of Goodwill and Unamortized Balance
Previous fiscal year (Mar 1 2013 – Feb 28, 2014)

(Millions of yen)

	Japan	China	Southeast Asia	North America	Total
Amortization during the period	90	-	-	-	90
Balance at end of current year	1,238	-	-	-	1,238

Current Fiscal Year (Mar 1, 2014 – Feb 28, 2015)

(Millions of yen)

	Japan	China	Southeast Asia	North America	Total
Amortization during the period	127	-	-	-	127
Balance at end of current year	1,111	-	-	-	1,111

e. Information by Report Segment Relating to Gain on Negative Goodwill
Not Applicable

(Per Share Information)

	Previous fiscal year (Mar 1, 2013 – Feb 28, 2014)	Current fiscal year (Mar 1, 2014 – Feb 28, 2015)
Net Assets per Share	¥1050.34	¥1,238.66
Net Income per Share	¥132.48	¥169.52
Diluted Net Income per Share	Not included due to no dilutive share	Not included due to no dilutive share

(Note) 1. The basis for the calculation of the Net Income per Share is as follows.

	Previous fiscal year (Mar 1, 2013 – Feb 28, 2014)	Current fiscal year (Mar 1, 2014 – Feb 28, 2015)
Net Income (¥ Millions)	1,212	1,639
Amount not Attributable to Ordinary Shareholders (¥ Millions)	-	-
Net Income Relating to Ordinary Shares (¥ Millions)	1,212	1,639
Average Number of Shares during the Term (Shares)	9,146,246	9,667,422

(Note) 2. The basis for the calculation of the Net Assets per Share is as follows.

	Previous fiscal year (Mar 1, 2013 – Feb 28, 2014)	Current fiscal year (Mar 1, 2014 – Feb 28, 2015)
Total Net Assets (¥ Millions)	11,187	13,396
Deduction from Total Net Assets (¥ Millions)	1,033	1,421
(Minority Interests)	(1,033)	(1,421)
Net Assets Relating to Ordinary Shares at the end of the Term (¥ Millions)	10,154	11,975
Number of Shares at the End of the Term (Shares) Applied for the Calculation of the Net Assets per Share	9,667,422	9,667,390

(Material Subsequent Events)

Not applicable

5. Other

(1) Change of Directors and Officers

In regards to change of Directors, please refer to the "Notice Concerning Changes of Directors and Officers" released on April 10, 2015.