

# Moriroku Holdings Company, Ltd.

4249

Tokyo Stock Exchange Prime Market

4-Aug.-2023

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FISCO Ltd.

<https://www.fisco.co.jp>

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## Summary

### Japan's oldest specialist chemical company with both manufacturing and trading functions. Is aiming to further strengthen profitability by creating new value toward 2030.

Moriroku Holdings Company, Ltd. <4249> (hereafter, also “the Company”) is listed on the Tokyo Stock Exchange (TSE) Prime Market and is the pure holding company\* of Japan's oldest specialist chemical group that will celebrate the 360th anniversary of its foundation in 2023. For segments, the core companies underneath it are Moriroku Technology Co., Ltd., a manufacturer of automotive parts that conducts the Resin-Treated Products Business, and Moriroku Chemicals Co., Ltd., a trading company in the chemicals field that conducts the Chemicals Business. The Moriroku Group has business offices in 14 countries around the world and is a global group, with approximately 70% of net sales provided by overseas sales. In May 2022, the Group formulated its new long-term vision and medium-term management plan, and it is improving profitability at every base and expanding its business areas, while at the same time accelerating initiatives to realize a sustainable society.

\* The Company has announced it will transition to an operating holding company as of April 1, 2024.

#### 1. Summary of FY3/23 results

In the FY3/23 results, the Company recorded net sales of ¥142,019mn (up 10.2% YoY), operating profit of ¥1,335mn (down 53.1% YoY), ordinary profit of ¥1,596mn (down 46.2%), and profit attributable to owners of parent of ¥1,346mn (down 68.4%). Profit attributable to owners of parent declined significantly because a gain on the sale of investment securities was recorded as extraordinary income in the previous period.

By segment, the Resin-Treated Products Business recorded a sales decline in real terms adjusted for forex impact, because major customers cut back of production due to the semiconductor shortage and effects of the lockdown in China. It also posted significantly lower operating profit, reflecting drags from inflation (raw materials, energy costs, etc.) and the loss of operating time stemming from sharp fluctuations in production amid lower production volume. The Chemicals Business recorded higher net sales but lower profit since sales were solid, but energy costs rose in the manufacturing field and SG&A expenses increased accompanying the resumption of sales activities.

#### 2. Forecast for FY3/24

The FY3/24 results forecast calls for net sales of ¥130,000mn (down 8.5% YoY), operating profit of ¥3,500mn (up 162.0%), ordinary profit of ¥2,900mn (up 81.6%), and profit attributable to owners of parent of ¥1,900mn (up 41.1%). The Company forecasts lower net sales because it assumes a stronger yen (¥120/\$ vs. the actual rate of ¥135.5/\$ in FY3/23). In terms of profit, the Company expects profit margins to improve in the Resin-Treated Products Business as customers' production volumes recover and production setup and so forth return to normal. In the Chemicals Business, it envisions profit holding flat as raw material prices stabilize. It plans to pay an annual dividend of ¥100 (forecast dividend payout ratio of 79.4%), the same amount as in FY3/23.

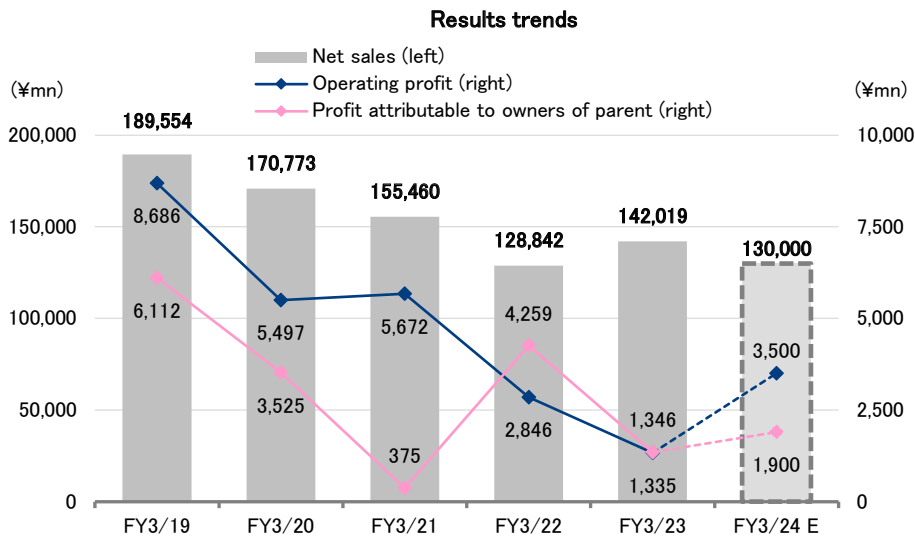
Summary

3. Medium-Term Management Plan

In May 2022, the Company formulated 2030 Vision, its medium- to long-term vision based on the slogan of “CREATE THE NEW VALUE” with the aim of improving enterprise value. It has positioned the three-year 13th medium-term management plan, which started in FY3/23, as the first step toward achieving this vision, and is advancing three basic strategies: I Establish a stable financial base and strengthen profitability, II Create value by strengthening R&D and sow the seeds toward 2030, and III Improve management’s resilience by promoting sustainability activities. Also, quantitative targets for FY3/25 include net sales of ¥143.0bn, operating profit of ¥11.0bn, and ROE of 9.1%. Results in the first fiscal year under the plan, FY3/23, were slightly behind quantitative targets, but the Company has not made any changes or revisions at this time. On the other hand, the Company is making steady progress on qualitative goals such as strengthening development and sowing seeds for 2030, and we will be focusing on future developments.

Key Points

- Japan’s oldest specialist chemical company with manufacturing and trading functions that will celebrate the 360th anniversary of its foundation in 2023
- Operating profit declined in FY3/23 on production cuts at customers, but the Company targets a recovery in FY3/24
- Under the new medium-term management plan, Company is advancing basic strategies, that include (1) strengthening profitability, (2) strengthening R&D, and (3) promoting sustainability activities



Source: Prepared by FISCO from the Company’s financial results

## Business overview

### Global chemical company with 360-year history that combines manufacturing and trading company functions

#### 1. History

The Company is one of the oldest listed on the Tokyo Stock Exchange, ranking within the 10 oldest, and will mark the 360th anniversary of its founding in 2023. The origins of Moriroku can be traced back to 1663 when company founder Yasube Mori began dealing in indigo dye balls—blue dyestuff processed to make it easier to distribute—and fertilizer in Awa, Tokushima under the company name “Shimaya.” Thereafter, it was a designated wholesaler of the Awa Domain, serving as a purchasing intermediary and continued to develop with each successive generation, which included establishing an indigo dye ball production facility. Subsequently, during the tenure of Rokube Mori, the sixth-generation head of the company, Moriroku expanded into Edo (present day Tokyo) in 1853 toward the end of the Edo period (1603-1867). “Roku” and “Mori” were taken from the given and family names of this president and rearranged to form the Company’s new name, “Moriroku.”

Moriroku exhibited Awa indigo at the Paris International Exposition in 1878 with the assistance of Mitsui & Co., Ltd.<8031>. At the end of the Edo period (1603-1867), inexpensive, beautifully colored indigo began to be imported into Japan, and as it came to take the place of Awa indigo, the Company started out in the general trading business when it began purchasing this imported indigo from trading companies in Yokohama. In 1916, the Company changed its name to “Moriroku General Trading Company Co., Ltd.” and become a chemical trading company. After the Second World War, the Company established its resin division in 1949, pioneering markets for vinyl chloride products manufactured by Mitsui Chemicals Inc. <4183>. In addition to its lineup of plasticizers, softeners, and stabilizers, which are used in vinyl chlorides, the pigments and specialty dyes, etc. used to color them were added to its business items, and in 1958 the Company became the exclusive distributor of HI-ZEX, a polyethylene material.

This product drew the attention of Honda Motor Co., Ltd. <7267> (hereafter, “Honda”), and Moriroku was selected to participate in developing and prototyping for motorcycle development. Using high-density, low-pressure polyethylene, the Company succeeded with Honda in developing plastic exterior parts for motorcycles. The Company’s plastic parts were used for the front cover, toolbox, and battery box on the Super Cub motorcycle that Honda began selling in 1958, and to this day Honda has continued to be the cornerstone of the Company’s sales, while plastic processing became its core business. In June 1962, with Honda expanding into cars and trucks, the Company undertook prototyping of plastic parts on a full-scale basis and would come to handle the production of many plastics parts for Honda’s S360 sportscar and AK360 compact pickup truck, including windscreen and steering column covers.

In overseas development, in 1986, the company established Greenville Technology, Inc. (GTI) in Ohio, following Honda, which began producing vehicles in the U.S. It was one of the first Japanese auto parts manufacturers to begin production in the U.S. In 1996, the Company established Listowel Technology, Inc. in Canada, and in 2000, Rainsville Technology, Inc. in Alabama, giving it three production bases in North America. So, in just 15 years the Company built a large-scale production system in the North American market. Thereafter, the Company moved into the Philippines, India, China, Indonesia, and Thailand to establish a production structure in Asia. Today, the Company is deepening local production by having overseas employees stay in Japan for extended training so that they can take back the knowledge and skills they acquire to their home countries.

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#### Business overview

To effectively use management resources in the North American region and enhance operational efficiency and productivity, Greenville Technology, Inc. and Rainsville Technology, Inc. executed a merger through absorption in April 2023 to form the newly named Moriroku Technology North America Inc.

Alongside this development of the Group, the Company's trade name was changed from Moriroku Company Ltd. to Moriroku Holdings Company, Ltd. in 2008 as it transitioned into being a holding company. Through an incorporation-type company split, Moriroku Technology and Moriroku Chemicals were established under the pure holding company, Moriroku Holdings Company, and inherited the Production Business and the Chemicals Business respectively. On a consolidated basis, the Group has 4,342 full-time (as of the end of March 2023) employees with diverse skills, who are active globally. In June 2019, Takashi Kurita was appointed the Company's President and CEO and is driving the Group's development. With a wealth of overseas experience, Kurita is aggressively promoting a range of sustainability initiatives as well as improving earnings performance.

| \* The Company has announced it will transition to an operating holding company as of April 1, 2024. |

In 2017, the Company was listed on the TSE 1st Section. Then, in April 2022, following the TSE's reorganization of its market categories, its listing was transferred to the TSE Prime Market.

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Business overview

History

Month/year	Events
1663	Foundation. Started dealing in Awa indigo and manure in Awa (Tokushima)
1853	Established the Kanto area sales headquarters in Edo (Tokyo)
1878	Exhibited Awa indigo at the Paris International Exposition
1882	Started wholesales of domestic and foreign fertilizers
1909	Started imports and sales of dyestuffs, industrial chemicals, and sodas
1916	Moriroku general trading company was reorganized as a joint-stock company
1927	Moved the head office to Osaka
1939	Started dealing in food mold inhibitors and launched a modern chemical products business
1949	Started dealing in vinyl chloride and launched a resin business
1958	Started dealing in low-pressure polyethylene and developed product application methods, and launched a production business
1962	Moved the head office to Muromachi, Nihonbashi, Chuo-ku, Tokyo
1963	Changed the trade name to Moriroku Trading Company, Ltd.
1968	Moved the head office to Kasumigaseki Building, Kasumigaseki, Chiyoda-ku, Tokyo
1982	Changed the trade name to Moriroku Company Ltd.
1986	Established a local corporation, Greenville Technology, Inc., in Ohio, U.S.A. through a joint venture with Honda
1990	Established a local corporation, Moriroku Company (HK) Ltd., in Hong Kong
1994	Established a local corporation, Moriroku Philippines, Inc., in Laguna, the Philippines
1996	Established a local corporation, Listowel Technology, Inc., in Ontario, Canada Established a local corporation, Moriroku UT India Pvt., Ltd., in New Delhi, India Established a local corporation, Moriroku (Singapore) Pte., Ltd., in Singapore
1997	Established a local corporation, Moriroku (Thailand) Co., Ltd., in Bangkok, Thailand
2000	Established a local corporation, Rainsville Technology, Inc., in Alabama, U.S.A.
2001	Established Guangzhou Moriroku Technology Co., Ltd. Established Suzhou Moriroku Technology Co., Ltd.
2002	Established Moriroku (Shanghai) Co., Ltd.
2003	Established Moriroku (Guangzhou) Trading Co., Ltd.
2004	Moved the head office to Aoyama, Minato-ku, Tokyo Established Wuhan Moriroku Technology Co., Ltd.
2007	Established Moriroku Precision Co., Ltd. Established Moriroku (Tianjin) Co., Ltd. Established Moriroku Austria GmbH
2008	Established Moriroku America, Inc. The trade name was changed from Moriroku Company Ltd. to Moriroku Holdings Company, Ltd., and through an incorporation-type company split, Moriroku Technology and Moriroku Chemicals were established and inherited the Production Business and the Chemicals Business respectively, and the Group transitioned to a holding company system.
2009	Established Moriroku Technology North America to supervise development and production in North America
2010	Established Moriroku Agri Co., Ltd. Established Moriroku Technology (Thailand) Co., Ltd.
2011	Established Moriroku Chemicals Korea Co., Ltd.
2012	Greenville Technology, Inc. newly established a second plant in Indiana, the USA Established PT. Moriroku Technology Indonesia Established Moriroku Technology De Mexico S.A. De C.V.
2016	Established PT. Moriroku Technology Indonesia
2017	Listed on the TSE 1st section market
2021	Established Moriroku Chemicals India Private Limited
2022	Listed transferred to the TSE Prime Market
2023	Greenville Technology, Inc. and Rainsville Technology, Inc. executed a merger through absorption to form the newly named Moriroku Technology North America Inc.

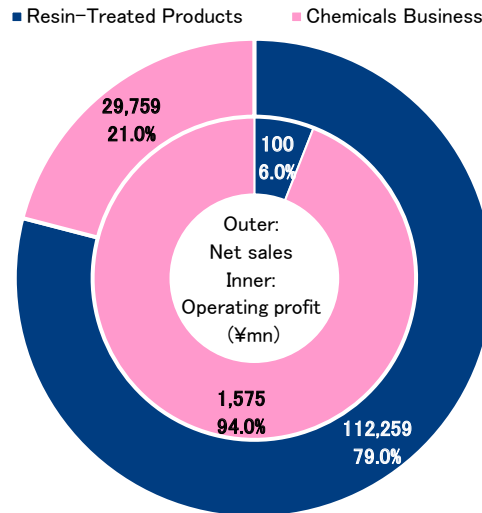
Source: Prepared by FISCO from the Company's website

## Has a manufacturing function for automotive parts and a trading function in the chemical field

### 2. Business description

The Company is a pure holding company, with two disclosed business segments—the Resin-Treated Products Business, whose core company is Moriroku Technology, and the Chemicals Business, whose core company is Moriroku Chemicals. Net sales in FY3/23 broke down by segment as Resin-Treated Products Business 79.0% and Chemicals Business 21.0%. Operating profit before eliminations broke down by segment into Resin-Treated Products Business 6.0% and Chemicals Business 94.0%, which was the result of an extreme decrease in income in the Resin-Treated Products caused by a variety of factors.

**Breakdown of net sales and operating profit by segment (FY3/23)**



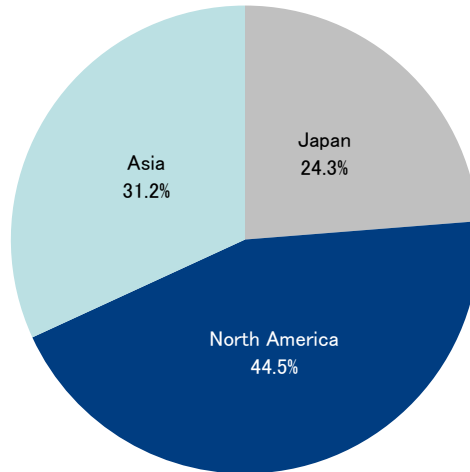
Source: Prepared by FISCO from the Company's financial results

The Company is a global company with 60 business bases in 14 countries. Net sales broke down by region into Japan 24.3%, North America 44.5%, and Asia 31.2% in FY3/23, forming a well-balanced regional business portfolio.



Business overview

Net sales breakdown by location (FY3/23)



Source: Prepared by FISCO from the Company's financial results

Summaries of the Resin-Treated Products Business and the Chemicals Business are provided below.

**(1) Resin-Treated Product Business**

The Resin-Treated Product Business comprises 13 domestic and overseas consolidated subsidiaries and one affiliate. With Moriroku Technology as the core company, it mainly manufactures resin automotive parts, of which about 95% is for Honda. The remaining roughly 5% is for other auto-manufacturers including Volkswagen and Nissan Motor Co., Ltd.<7201>; the Company plans to grow its business with automakers other than Honda. Its development and production bases in Japan and overseas are located adjacent to Honda's production facilities, because most of its products are for Honda vehicles. All Moriroku Group production bases can manufacture products of the same quality, responding to risks in the supply chain.

The Company has established a robust development and production structure. It does not simply manufacture products after receiving an order from a customer. It conducts, everything from product planning to design, mold design and curing, prototyping and testing, and mass production in an integrated process. Internally, coordination from the sales stage between related departments such as the Technical research center and the Production Engineering Division and Quality Management Division enables the Company to accurately grasp customer needs and accommodate them with flexibility and precision. In addition, from an environmental protection standpoint, the Company conducts product development considering not only recycling at the level of the manufacturing site but also, from the planning stage, recyclability in after-processes.

This business has a wide-ranging products lineup from resin-molded parts for four-wheel vehicles to exterior parts and functional parts for two-wheel vehicles. The Company promotes proposal-type developments based on market needs, which are then mass produced as products at plants around the world with the quality standards.

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Business overview

Main four-wheel interior parts

Instrument panels



Center consoles



Interior knotty panels



Center clusters and ventilators



Source: From the Company's website

Main four-wheel exterior parts

Radiator grills



Roof spoilers



Bumper lower garnish



Cowl louvers



Source: From the Company's website

The strength of the Company's Resin-Treated Product Business is its technologies for increasing the added value. The business has strengths in mold curing, which combines advanced technologies via computer aided engineering (CAE) with the highly skilled techniques of experienced technicians, in making plastic parts lighter and thinner, anticipating the needs of the times, in decorative film technology, which is at the top level in the industry, finishing interior parts with a high level of luxury and design, and in coating technology, which achieves both high appearance quality and durability. Through these technologies, the Company pursues added value for products, which constitutes its strategy for differentiating itself from competitors.

(2) Chemicals Business

In its Chemicals Business, which centers on Moriroku Chemicals Co., Ltd. and consists of 14 consolidated subsidiaries in Japan and overseas and 5 affiliate companies, the Company conducts sales, import and export of chemicals, and also manufactures some products. In contrast with the Resin-Treated Products Business, it has transactions with around 4,000 suppliers and customers. The Company broadly develops business in six areas: "fine chemicals," "coating," "Lifestyle products," "Electronic chemicals," "Automotive chemicals," and "resin-treated products." Along with its trading company business, the division develops a manufacturing business as well, developing, processing, and manufacturing products in collaboration with Group companies with unique technological capabilities.

Main products and manufactured products by business area and main end-users

Business area	Main products and manufactured products	Main end-users
Fine chemicals	Medical and agrochemical intermediates, raw materials for cosmetics, functional materials	Mitsui Chemicals Inc. <4183>, Daikin Industries, Ltd. <6367>, other
Coating	Coating materials and additives	Kansai Paint Co., Ltd.<4613>, Nippon Paint Co., Ltd.<4612>, other
Lifestyle products	Synthetic resin materials, films	Otsuka Holdings Co., Ltd.<4578>, other
Electronic chemicals	Semiconductor materials, LED materials, heat-radiating materials	Nichia Corporation, Murata Manufacturing Co., Ltd. <6981>, other
Automotive chemicals	Automotive resin materials, functional materials	Aisin Corporation <7259>, other
Resin-treated products	Motorcycle parts	Kawasaki Heavy Industries, Ltd. <7012>, other

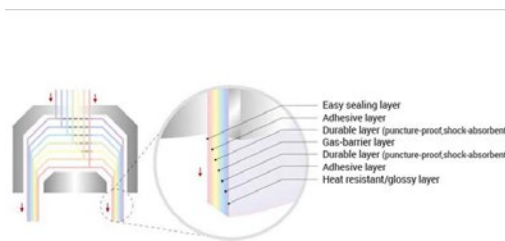
Source: Prepared by FISCO from the Company's briefing

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Business overview

In its trading business, in addition to trading, marketing and logistics, the business coordinates with Moriroku Technology, which has resin processing technologies, to accommodate real-scale testing with molded parts. In the manufacturing business, which has outstanding functionality such as for safety, sanitation, and precision, its main products are high-function, multilayer films that are used primarily in the areas of medicine, food products, and electronics. The core technology of “coextrusion,” which is a manufacturing technology for the produced multilayer films, uses two or more extruders to extrude multilayers of resins of the same type or of two or more types. Among these films, high-function multilayered films for medical use are primarily used for IV bags. The bags are divided into two to four compartments, and are devised in such a way that pressure is applied to mix the drugs together immediately before use. As a product that prevents drug administration errors and reduces the workload on medical staff, it has acquired a large share of the domestic market and achieves high productivity and quality thanks to the latest automation equipment. Through such technologies, Shikoku Kakoh Co., Ltd., which handles the products, provides one-third of the Chemicals Business’s operating profit.

Coextrusion manufacturing method



Transfusion bags with high durability



Source: From the Company's website

## Strengths are long history, technological flair, and ability to propose solutions

### 3. Features, Strengths, Competition

#### (1) History going back 360 years and trust-based relationship with customers

Perhaps the Company’s most distinguishing feature is its long, 360-year history. Although old is not necessarily good for a company, Moriroku’s longevity is the result of its management team accurately identifying changes in social, economic, environmental, and other external factors over the years, responding to the situation, making decisions on investing for the future, and putting them into action. As a consequence, it can be said that customers have developed a solid trust in the Company, which has further sustained its business.

#### (2) Adaptability, bold decision-making, and putting ideas into action

One of the Company’s strengths, fostered in its long history, combines its adaptability to change, bold decision-making, and ability to put ideas into action. In its early years, Moriroku began trading Awa indigo produced in Japan, but switched to make Indian indigo its main business in the late Edo period when inexpensive, beautifully colored Indian indigo began to be imported into Japan and took the place of Awa indigo. Further, it established the resin business amid the rise of the petrochemical industry after the Second World War. Once polyethylene material Hi-Zex attracted Honda Motor’s interest, the Company did not hesitate to develop it into a motorcycle and automotive parts business. Moriroku made the decision to begin production in the U.S. following Honda’s footsteps, which was considered a risky move at the time. These episodes can be said to illustrate the Company’s strength in adapting to turning points and changes in its long history, making crucial decisions, and putting them into action.

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## Business overview

**(3) Technical prowess and ability to propose solutions**

The Company handles a wide range of products, but most of them have chemical products as the common factor. In its long history, the Company has developed a wealth of knowledge, understanding, and experience of chemicals on which its superior technical skills are based. The extensive scope of its knowledge—from basic research on materials to synthesis, analysis, manufacturing, volume production, and decoration, and corresponding technical skills—is one of the Company's strengths.

To recap, the Company has many customers with Honda as the main customer. The Company constantly learns from these customers what they want and what the market needs, and proposes various solutions by harnessing its technical skills. The ability to make proactive proposals in this way is another of the Company's strengths.

**(4) One segment is dominated by a single customer, the other has widely distributed customer base**

The Company has two business segments (Resin-Treated Products Business and Chemicals Business). The former is dominated by one customer (Honda), which means the growth potential and earnings trends are impacted by trends in the world automobile business, especially Honda. The latter handles a large number of products and has a widely distributed customer and supplier base of 4,000 companies. It is therefore less affected by trends in a specific industry, business sector, or company. The contrasting customer base structure of the two business segments is a strength and characteristic of the Company.

**(5) Solid balance sheet**

The Company has a solid balance sheet. As of the end of FY3/23, total assets were ¥131,797mn and net assets were ¥70,683mn, with an equity ratio maintained at a level of over 50% (52.6%). Net liabilities (interest-bearing debt and cash and deposits) are low at ¥7,673mn and retained earnings are ¥56,484mn, which means the Company has no difficulty paying dividends even if earnings performance were to deteriorate somewhat. Its sound financial condition allows the Company to invest aggressively.

**(6) Main competitors**

Competitors in the Resin-Treated Products Business are Toyoda Gosei Co., Ltd.<7282>, DaikyoNishikawa Corporation <4246>, and Nihon Plast CO., LTD.<7291>. In its business with Honda, the Company holds concept model presentations a few times a year (looking 5-10 years ahead in some cases). If Honda likes the Company's proposal, it may increase its share of business with the automaker.

The Company is also in a position to take market share away from group companies of other automakers by harnessing its proactive proposals. Although values are still modest, it has won orders from Volkswagen and Nissan.

It is impossible to name all competitors in the Chemicals Business, which sells a diverse range of products, but two companies stand out—Nagase & Co., LTD. <8012> and Inabata & Co., Ltd. <8098>. They are primarily trading companies. Their manufacturing divisions' share of net sales is far smaller than the Company's.

## Results trends

### Strongly affected by customers' production cuts in FY3/23

#### 1. FY3/23 results

##### (1) Profit and loss status

In the FY3/23 results, net sales were ¥142,019mn (up 10.2% YoY), operating profit was ¥1,335mn (down 53.1%), ordinary profit was ¥1,596mn (down 46.2%) and profit attributable to owners of parent was ¥1,346mn (down 68.4%). Profit attributable to owners of parent declined significantly because a gain on the sale of investment securities was recorded as extraordinary income in the previous period.

By segment, the Resin-Treated Products Business recorded a sales decline in real terms adjusted for forex impact, because major customers cut back of production due to the semiconductor shortage and effects of the lockdown in China. It also posted an operating loss, hurt by loss of operating time stemming from fluctuations in production mainly in North America amid the decline in production volume and inflation and it also posted significantly lower operating profit, reflecting drags from inflation (raw materials, energy costs, etc.). The Chemicals Business recorded higher net sales but lower profit since sales were solid, but energy costs rose in the manufacturing field and SG&A expenses increased accompanying the resumption of sales activities.

The average exchange rate was ¥135.5/\$ (¥112.4/\$ in the previous period).

#### FY3/23 consolidated results

	FY3/22		FY3/23		YoY	
	Result	vs. sales	Result	vs. sales	Change amount	Change ratio
Net sales	128,842	100.0%	142,019	100.0%	13,177	10.2%
Gross profit	19,300	15.0%	19,000	13.4%	-300	-1.6%
Selling, general and administrative expenses	16,454	12.8%	17,664	12.4%	1,210	7.4%
Operating profit	2,846	2.2%	1,335	0.9%	-1,510	-53.1%
Ordinary profit	2,965	2.3%	1,596	1.1%	-1,369	-46.2%
Profit attributable to owners of parent	4,259	3.3%	1,346	0.9%	-2,912	-68.4%

Source: Prepared by FISCO from the Company's financial results

##### (2) Financial and cash flows position

At the end of FY3/23, current assets were ¥73,679mn (down ¥3,379mn from the end of FY3/22). The main items were decreases of ¥128mn in cash and deposits, ¥243mn in trade receivables, and ¥4,417mn in inventory and an increase of other current assets of ¥1,410mn. Non-current assets were ¥58,117mn (down ¥1,948mn), mainly due to an increase in property, plant and equipment of ¥1,529mn as a result of capital investment and a decrease in investments and other assets of ¥3,444mn following the sale of policy-holding shares. As a result of the above, total assets were ¥131,797mn (down ¥5,327mn).

Current liabilities were ¥53,502mn (down ¥2,459mn YoY), mainly due to a decrease in accounts payable of ¥2,642mn and an increase of short-term borrowings, etc. of ¥617mn. Non-current liabilities were ¥7,611mn (down ¥1,483mn), mainly due to increase of long-term borrowings of ¥753mn and decreases of deferred tax liabilities of ¥752mn. As a result of the above, total liabilities were ¥61,114mn (down ¥3,943mn).

## Results trends

Total net assets were ¥70,683mn (down ¥1,384mn). Although profit attributable to owners of parent was recorded, payment of dividends and other matters resulted in a decrease in retained earnings of ¥137mn and ¥1,881mn in valuation difference in available-for-sale securities, and increase of foreign currency translation adjustment of ¥2,033mn. As a result of the above, at the end of FY3/23, the Company maintained an equity ratio above 50% at 52.6%, (51.6% at the end of FY3/22).

**Balance sheet**

	(¥mn)		
	FY3/22	FY3/23	Change
<b>Current assets</b>	77,058	73,679	-3,379
<b>Cash and deposits</b>	18,373	18,245	-128
Trade receivables	34,777	34,534	-243
Inventory	18,500	14,083	-4,417
<b>Non-current assets</b>	60,066	58,117	-1,948
Property, plant and equipment	44,619	46,148	1,529
Intangible assets	981	948	-33
Investments and other assets	14,465	11,021	-3,444
<b>Total assets</b>	137,125	131,797	-5,327
<b>Current liabilities</b>	55,961	53,502	-2,459
Purchase liabilities	24,655	22,012	-2,642
Short-term borrowings, etc.	22,544	23,162	617
<b>Non-current liabilities</b>	9,095	7,611	-1,483
Long-term borrowings	3,510	2,757	-752
Deferred tax liabilities	3,963	3,210	-752
<b>Total liabilities</b>	65,057	61,114	-3,943
<b>Total net assets</b>	72,067	70,683	-1,384

Source: Prepared by FISCO from the Company's financial results

At the end of FY3/23, cash inflow from operating activities was ¥9,495mn. The main inflow items were ¥3,407mn in profit before income taxes, depreciation of ¥8,320mn, impairment losses of ¥978mn, a decrease in trade receivables of ¥1,346mn, and decrease in inventories of ¥5,502mn. The main outflow items were gain on sale of investment securities of ¥2,501mn and a ¥3,279mn decrease in trade payables.

Cash outflow from investing activities was ¥5,311mn, mainly from capital spending of ¥8,103mn to acquire property, plant and equipment and proceeds from sale of investment securities of ¥3,847mn. Cash outflow from financing activities was ¥5,310mn. The main outflow items were a net decrease in short- and long-term borrowings of ¥2,417mn and payment of dividends of ¥1,483mn. As a result of the above, cash and cash equivalents were down ¥699mn to ¥17,658mn at the end of FY3/23.

## Results trends

## Statements of cash flows

	(¥mn)	
	FY3/22	FY3/23
Cash flows from operating activities	3,434	9,495
Profit before income taxes	7,915	3,407
Depreciation	7,916	8,320
Impairment losses	-	978
Loss (gain) on sale of investment securities	-4,864	-2,501
Decrease (increase) in trade receivables	-588	1,346
Decrease (increase) in inventories	-2,847	5,502
Increase (decrease) in trade payables	219	-3,279
Cash flows from investing activities	-1,140	-5,311
Purchase of property, plant and equipment	-7,343	-8,103
Proceeds from sale of investment securities	6,125	3,847
Cash flows from financing activities	-2,824	-5,310
Net increase (decrease) in short- and long-term borrowings	740	-2,417
Dividends paid	-1,275	-1,483
Net increase (decrease) in cash and cash equivalents	425	-699
Cash and cash equivalents at end of period	18,358	17,658

Source: Prepared by FISCO from the Company's financial results

## 2. Trends by business segment

## (1) Resin-Treated Products Business

In FY3/23, in the Resin-Treated Products Business, the Company recorded net sales of ¥112,259mn (up 10.3% YoY) and an operating profit of ¥100mn (down 92.0%). Net sales declined in real terms adjusted for forex impact, because major customers cut production due to the semiconductor shortage and lockdown in China. Hurt by loss of operating time stemming from fluctuations in production mainly in North America amid the decline in production volume and inflation (affecting prices for raw materials, energy and more), the Company had a significant decrease in operating profit.

Looking at an analysis of YoY changes in operating profit, external factors had a net negative impact of ¥3,008mn. Specifically, positive impact from sales of molds (¥840mn) was outweighed by negative impact from forex (¥182mn), production fluctuations (¥1,632mn), products procured internally (¥824mn), wage hikes (¥293mn), higher energy prices (¥301mn), higher freightage and warehousing expenses (¥114mn), and increases in raw material costs (¥273mn) and labor costs (¥230mn) stemming from frequent changes in production plans.

Conversely, internal factors had a net positive impact of ¥1,855mn. Specifically, negative impact from strengthening R&D (¥252mn) and a rise in other expenses (¥62mn) was outweighed by positive impact from cost pass-through (¥1,110mn), cost improvement (¥466mn), depreciation (¥356mn), and dropout of a one-time factor (¥237mn; emergency response to an incident in Mexico in FY3/22). As a result of the above, segment operating profit decreased ¥1,511mn YoY.

## (2) Chemicals Business

In FY3/23, in the Chemicals Business, net sales were ¥29,759mn (up 10.0% YoY) and operating profit was ¥1,575mn (down 14.2%).

## Results trends

Looking at an analysis of YoY changes in operating profit, mobility profit declined ¥122mn due mainly to automobile production cuts and weak smartphone sales, life sciences profit increased ¥92mn, and fine chemicals profit decreased ¥160mn. In life sciences and fine chemicals, customers' inventory adjustments led to sluggish demand in 2H. In manufacturing, profit declined ¥120mn due to slowness passing on higher raw material costs to sales prices. Also, operating profit was depressed ¥55mn by a rise in SG&A costs, with personnel expenses up ¥22mn, travel expenses up ¥71mn, freightage and warehousing expenses down ¥56mn, and entertainment expenses up ¥16mn. Further, forex had a positive impact of ¥104mn on operating profit. As a result of the above, segment operating profit decreased ¥261mn YoY.

## Forecast going forward

### Forecast for sharp recovery with 162.0% operating profit growth in FY3/24

#### ● Forecasts for FY3/24

The Company's FY3/24 consolidated results forecasts are net sales of ¥130,000mn (down 8.5%), operating profit of ¥3,500mn (up 162.0%), ordinary profit of ¥2,900mn (up 81.6%), and profit attributable to owners of parent ¥1,900mn (down 41.1%). The Company forecasts lower net sales because it assumes a stronger yen (¥120/\$ vs. the actual rate of ¥135.5/\$ in FY3/23). In terms of profit, it expects profit margins to improve in the Resin-Treated Products Business as customers' production volumes recover and production setup and so forth return to normal. In the Chemicals Business, it projects profit on par with the previous period, assuming raw material prices stabilize. It plans to pay an annual dividend of ¥100 (forecast dividend payout ratio of 79.4%), the same amount as in FY3/23.

By segment, in the Resin-Treated Products Business, the Company forecasts net sales of ¥102,000mn (down 9.1% YoY) and operating profit of ¥2,400mn (profit of ¥100mn in the previous period). It expects automobile production volumes to remain affected by some production cuts in 1H but pick up in 2H and trend broadly flat in real terms, but net sales to decline since it assumes a stronger yen. It forecasts growth at all profit levels, driven by recovery in production volumes, stabilization of production plans, and the advancement of additional streamlining and cost improvement activities. In the Chemicals Business, the Company forecasts net sales of ¥28,000mn (down 5.9%) and operating profit of ¥1,560mn (down 1.0%). It projects broadly flat operating profit as a result of robust demand for chemical products and progress with sales price increases, which were delayed for some products.

As keys to recovery, the Company will mainly focus on two measures. The first measure is flexibly addressing changes in production. While the Company expects its customers' production plans to be more stable than in the previous period, it will work on improving loss of operating time while promoting appropriate staffing. The second measure is advancing cost improvement. The Company aims to strengthen profitability by improving yields to reduce material waste and promoting labor-saving through the use of automation to raise manufacturing and workforce efficiency.



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Forecast going forward

The Company plans capital investment of ¥9,300mn (¥8,830mn in FY3/23). In the Resin-Treated Products Business, it envisions investment of ¥7,600mn, mainly for new model molds for automobile parts and molding machines. In the Chemicals Business, it plans to invest about ¥1,100mn in equipment for the synthesis of chemicals on consignment, upgrading equipment for highly functional films plants, and so forth. Of these investments, ¥1,400mn pertain to CSR areas like solar power. The Company intends to continue to strengthen R&D investment, and plans to spend ¥3,100mn on R&D (¥3,030mn in FY3/23). Accompanying this, it expects depreciation of ¥8,400mn (¥8,320mn).

Forecast for FY3/24

	FY3/23		FY3/24 E		YoY	
	Results	vs. sales	Target	vs. sales	Change amount	Change ratio
Net sales	142,019	100.0%	130,000	100.0%	-12,019	-8.5%
Resin-Treated Products Business	112,259	79.0%	102,000	78.5%	-10,259	-9.1%
Chemicals Business	29,759	21.0%	28,000	21.5%	-1,759	-5.9%
Operating profit	1,335	0.9%	3,500	2.7%	2,164	162.0%
Resin-Treated Products Business	100	-	2,400	-	2,299	-
Chemicals Business	1,575	-	1,560	-	-15	-1.0%
(Adjustment)	-339	-	-460	-	-120	-
Ordinary profit	1,596	1.1%	2,900	2.2%	1,303	81.6%
Profit attributable to owners of parent	1,346	0.9%	1,900	1.5%	553	41.1%

Source: Prepared by FISCO from the Company's financial results

## Medium-Term Management Plan

**Has announced medium-term management plan looking ahead to 2030. As the first step, targets net sales of ¥143.0bn in FY3/25**

### 1. Medium-term management plan: "2030 Vision" (CREATE THE NEW VALUE)

The Company unveiled the new medium-term management plan "2030 Vision" in the spring of 2022 to follow the previous plan (12th medium-term management plan), which ended in FY3/22. Under the slogan "CREATE THE NEW VALUE," the Company aims to become a global corporate group that contributes to the sustainable society of the future through its strength of creating value with its proprietary technologies. The initial year of the plan (FY3/23) has already finished, but the basic policy remains unchanged.

#### (1) Improve the resilience of management by promoting sustainability activities

The Company sees sustainability activities as the most important in executing the medium-term management plan and set three sustainability KPIs to be attained by FY2030. The first is a human resource-related KPI, targeting a 60% affirmative response to questions on employee engagement and whether the Company provides an environment that allows employees to excel. The second and third are environment-related KPIs, targeting a 50% cut in the Group's greenhouse gas (GHG) emissions versus FY2019 and raising the rate of renewable energy introduction to 55%. It also reflects the attainment rate of the main KPIs in part of directors' remuneration to make the promotion of sustainability initiatives more effective. This can be said to indicate how serious the Company is in its approach to sustainability initiatives.

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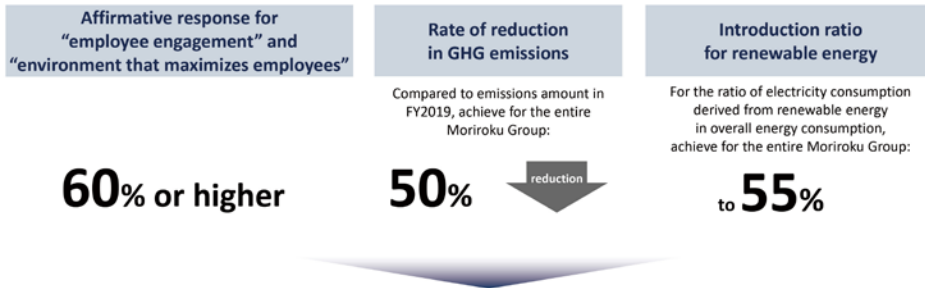
4-Aug.-2023

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Medium-Term Management Plan

FY2030 main sustainability KPIs

Main sustainability KPI for FY2030



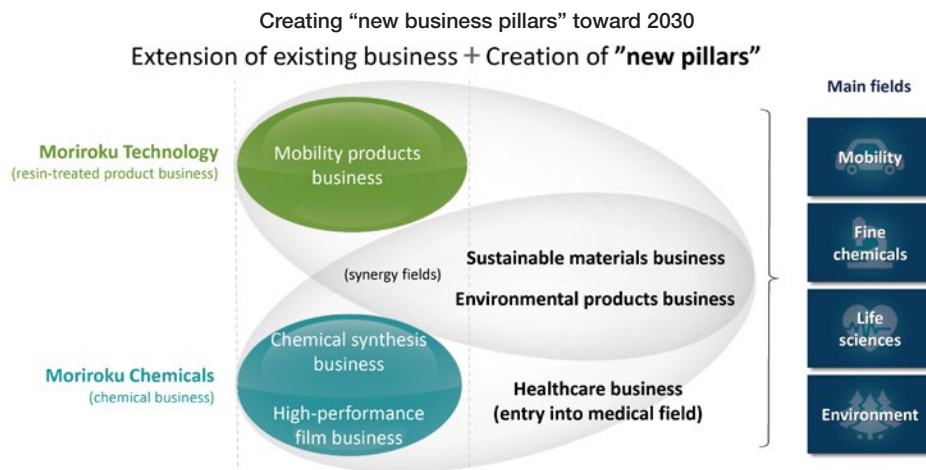
In order to increase the effectiveness of promoting sustainability activities, the degree of achievement of major KPIs is reflected in a portion of executive compensation (scheduled for introduction from FYE March 2023)

Source: The Company's medium-term management plan materials

(2) Creating new business pillars

In terms of business strategy, the Company is focusing on four fields – mobility, fine chemicals, life sciences, and the environment – and aiming to acquire new business opportunities. While expanding and strengthening the existing businesses of the Moriroku Group centered on Moriroku Technology and Moriroku Chemicals, it will create new business pillars in business areas that leverage the capital and strengths that it currently possesses.

Among these four focus fields, the goal for mobility is to expand the scale, including by strengthening high added value and growing sales. In the environment field, it will newly work on a sustainable materials business and a business for environmentally friendly products. In the life sciences field, it will grow the existing highly functional films business while also aiming to newly launch a healthcare business. In the fine chemicals field, it intends to increase the profitability of the existing chemicals synthetics business and further expand the business scale.



Source: From the Company's results briefing materials

Medium-Term Management Plan

**(3) Steps toward realizing 2030 Vision**

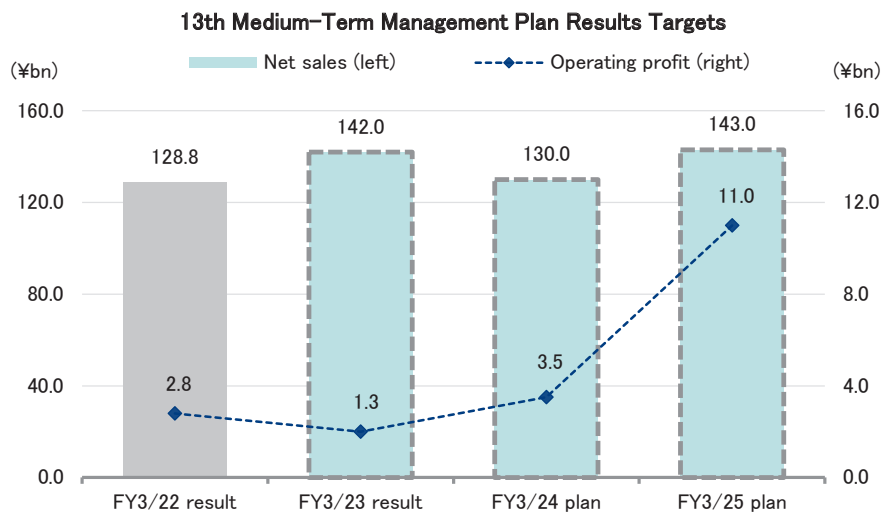
To realize the 2030 Vision, the Company has set out three steps to take place over nine years. In the first step, which is the 13th medium-term management plan (FY3/23 to FY3/25), it will “strengthen the businesses in which we are strong and focus on growth fields.” In the second step, the 14th medium-term management plan (FY3/26 to FY3/28), it will “accelerate the generation of earnings in growth fields,” and in the third step, the 15th medium-term management plan (FY3/29 to FY3/31), it plans to “build a well-balanced earnings portfolio over four areas.”

**2. 13th Medium-Term Management Plan**

In the 13th medium-term management plan the three basic strategies are: I Establish a stable financial base and strengthen profitability, II Create value by strengthening R&D and sow the seeds toward 2030, and III Improve management’s resilience by promoting sustainability activities. Basic strategies I and II, which involve sowing the seeds toward 2030 and strengthening profitability, are centered on the Group’s growth strategies. In addition, basic strategy III is to promote sustainability activities and can be said to show the Moriroku Group’s management approach of focusing on sustainability management.

Also, the FY3/25 consolidated results targets include net sales of ¥143.0bn, operating profit of ¥11.0bn, and ROE of 9.1%. Despite the sluggish growth of net sales, the Company plans to secure sufficient operating profit and achieve stable ROE. It is considered that the funds generated from this will be allocated to strategic investment for the future. Sales are forecast to decline in FY3/24 (down ¥1.0bn YoY) because of the expected fall in sales in the Resin-Treated Products Business because Honda will change models and therefore the sales price per vehicle of some models will decrease. However, the Company intends to focus on initiatives including securing profits by strengthening the production structure and increasing new sales in the Chemicals Business.

By segment, in the Resin-Treated Products Business, the FY3/25 targets are net sales of ¥112.0bn (up 10.0% compared to FY3/22) and operating profit of ¥9.0bn, while the operating profit margin is expected to increase from 1.2% in FY3/22 to 8.0%. In FY3/22, the profit margin fell significantly alongside the deterioration of the business environment, but it is anticipated that it will gradually recover to its original level. Also, in the Chemicals Business, the FY3/25 targets are net sales of ¥31.0bn (up 14.6%) and operating profit of ¥2.3bn (up 25.3%), while operating profit margin is expected to rise from 6.8% in FY3/22 to 7.4%.



Source: Prepared by FISCO from the Company’s results briefing materials

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## Medium-Term Management Plan

The details of the three basic strategies to achieve the results targets in the medium-term management plan are described below.

**(1) Basic strategy I Establish a stable financial base and strengthen profitability**

As a financial strategy, the Company aims to convert to an “offensive approach” while prioritizing stability and efficiency. For stability, it intends to sufficiently secure the funds needed through the flexible utilization of funds within the Group. For efficiency, it will pursue efficiency with an awareness of capital costs by conducting highly efficient consolidated management that prioritizes ROE and by setting KPI on the basis of each business company. For growth potential as well, it is aiming for the optimized allocation of invested funds through supplementing the strategic investment framework and active business collaborations and M&A. Moreover, it has positioned returning profits to shareholders as one of its most important management policies, and its shareholder return policy is to continue to stably pay dividends while considering maintaining a balance with investment for the future and securing internal funds. It is thought that basic strategy I, which is to establish a stable financial base and strengthen profitability, will mainly support the growth strategy promoted by basic strategy II.

**(2) Create value by strengthening R&D and sow the seeds toward 2030**

The Moriroku Group has established the growth strategies of strengthen the existing businesses and create new business pillars. Toward realizing these strategies, it plans investment of ¥26.3bn to maintain the business base, and intends to significantly increase the proportion allocated to environmental investment from investment funds while securing scale equivalent to that of the previous medium-term management plan. By region, in North America, it plans to introduce power generation facilities not only for solar power but for wind as well, and in the ASEAN region, it will establish new bases and select local partner companies. The Company has also newly set aside ¥10.0bn for strategic business investment and is forecasting an increase in R&D expenses of ¥2.6bn compared to in the previous medium-term management plan, and intends to accelerate new business development and for the technical research center to focus on advanced developments. Growth strategies of the two business segments are outlined below.

**(Resin-Treated Product Business)**

The Company is aiming to improve the profit margin and to actively increase sales through the creation of high added value. That is to say, it intends to improve the profit margin by honing the technologies it possesses and use them to provide proposals for high-value-added products. Within the Group, it will utilize its strength of being able to conduct operations that include everything from materials and compounds to design and mass production, and take on the challenge of environmental products, including bioplastics. For auto-manufacture customers other than its existing customers, it plans to not only actively grow sales, but to turn its attention to different industries as well.

Also, the Group will focus on proposal-based developments that utilize its strengths in anticipation of future demand. In addition to the elemental technologies it has possessed since the beginning, in recent years, it has been focusing on technologies like multi-layered molding, foil stamping (a printing technology that can be used to decorate metallic luster), and LED lighting design. By applying these technologies to interior and exterior parts, the Group plans to conduct proposal-based developments and to actively progress sales and promotions by making appearances at exhibitions and other means.

Medium-Term Management Plan

Growth strategies for Resin-Treated Product Business



Source: From the Company's results briefing materials

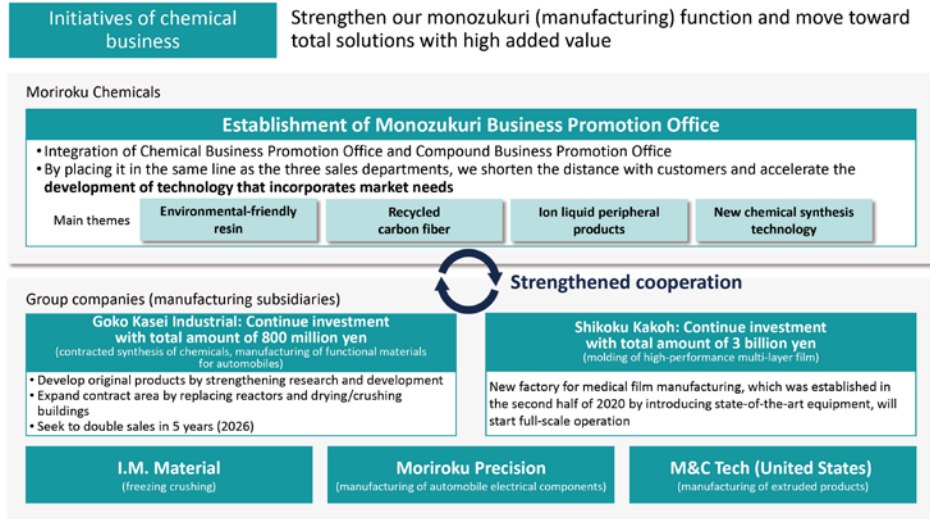
**(Chemicals Business)**

The Company first plans to speed-up the creation of projects in the four target fields by boldly reorganizing the sales function. Specifically, it will respond to the shift to electric vehicles by integrating the mobility department and the electronic chemicals department. Also, it will focus on functional chemical products that can meet needs for environmental compliance through integrating the fine chemicals department and the coatings department. Moreover, it will become able to propose sets, such as foods and wrapping materials, through integrating the Lifestyle products department and the food & healthcare department. Through this bold reorganization of the sales departments, it plans to provide proposals of products with higher added value than previously. In conjunction, it will increase the ability to execute the growth strategies and speed-up this execution by newly establishing an independent business planning department.

While the added value in the Chemicals Business is inherently small because it serves a trading function, the aim going forward is to increase its added value by strengthening its “manufacturing function.” First, the Company will newly establish the Monozukuri Business Promotion Division, and placing it in the same category as the sales departments, thereby bringing itself closer to customers and accelerating the development of market-orientated technologies. Next, it intends to strengthen collaborations with Moriroku Chemicals and other Group companies that have a manufacturing function. Specifically, Goko Kasei Industrial Co., Ltd., which conducts outsourcing for the synthesis of chemical products and manufactures functional materials for vehicles, will continue investment of ¥800mn in total and develop original products through strengthening R&D. Also, Shikoku Kakoh, which molds highly function multi-layered films, will continue investment on a scale of ¥3.0bn in total. The plan is to strengthen the manufacturing function and to propose total solutions with high added value through these measures.

Medium-Term Management Plan

Growth strategies for Chemicals Business



Source: From the Company's results briefing materials

(Creating new businesses)

Moreover, in addition to the growth strategies for the existing businesses, the Company is also working on leveraging Group synergies to “create new businesses.” In particular, it is exploring new themes in the areas of the environment and life sciences that utilize the Group’s capital and strengths. Within the 13th medium-term management plan, it plans to create new businesses by always advancing multiple projects in parallel.

Creating new businesses



Source: From the Company's results briefing materials

It is thought that steadily implementing the above growth strategies will enable the Company to securely achieve the results targets in the 13th medium-term management plan. Going forward, we shall be paying attention to the progress made for each of these growth strategies.

## Medium-Term Management Plan

**(3) Basic strategy III Improve the resilience of management by promoting sustainability activities**

The Moriroku Group is focused on improving management functions as a corporate group listed on the TSE Prime Market, and its policy is to deepen sustainability management through Group company collaborations. It has established consideration toward the environment and securing and developing human resources as top priorities. Also, it will improve the resilience of management through means such as promoting DX, increasing the sophistication of corporate governance, and strengthening the intellectual property (IP) strategy. It also intends to increase enterprise value by disclosing information about the details of these initiatives.

For “business activities that are considerate to the environment,” three Group companies will establish sustainability promotion offices under the president and progress activities while collaborating with each other. The Sustainability Committee will meet at least four times a year and manage progress and support activities, while the external directors and auditors will also perform checks through the Board of Directors. Through this powerful promotion system, the Company will reduce GHG emissions in all Group companies in Japan and overseas, with the aim of reducing emissions by 30% compared to FY2019 during the period of the 13th medium-term management plan. In conjunction, it intends to increase the percentage of all electric power consumed that is provided by electric power derived from renewable energy to as high as 35% for the Group overall.

To “secure and develop diverse human resources,” the Company will first secure and develop human resources in advance of the strategies, with acquisitions from outside the Group and supplementing human resources through M&A also being options. Second, in order to activate human resources and the organization, it will work on improving employee engagement so that the human resources and organization supporting the company can maximize their potential. Third, it will encourage innovation by advocating new ways of working not restricted to certain times and places by promoting diversity and the activities of diverse human resources. Through these initiatives, it aims to increase the ratio of employees giving affirmative answers in the employee awareness survey about “Valuing the individual,” “The cooperation system,” and “Leadership” by 10pt compared to the results of the FY2021 survey.

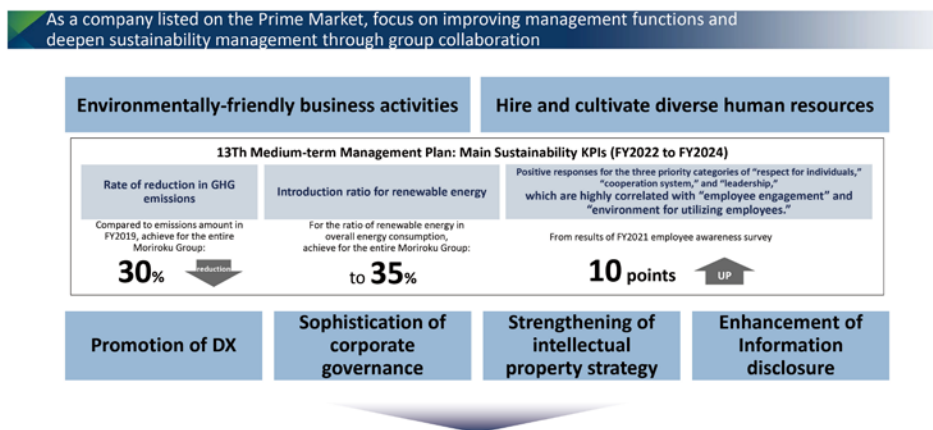
The Company’s next primary focus is promoting diversity. Women managers accounted for more than 10% of the total in 2021 and a woman was promoted internally to executive officer at a group company. Moriroku plans to open more director positions to women who have the ability and aptitude. The Company is making progress hiring talented local people overseas as well. Its Chinese group company already has local directors and a Canadian group company has a local president. It will continue to hire talented local people, because these examples are motivating employees based overseas. With many years’ experience working abroad, President Takashi Kurita has a particularly positive attitude toward diversity.

In addition to promoting sustainability activities, the Group will also conduct measures to improve management’s resilience. First, for the promotion of DX, it will work on business reconstruction that assumes the utilization of digital technologies regardless of precedent. Second, to increase the sophistication of corporate governance, it will secure diversity on the Board of Directors and work to improve effectiveness and transparency. Third, to strengthen the IP strategy, it will advance an IP strategy that is linked to the business strategy and the R&D strategy. Fourth, to supplement information disclosure, its policy is to disseminate information in a timely and easy-to-understand manner.

Medium-Term Management Plan

In these ways, it can be seen that the Company considers sustainability promotion activities to be one of the pillars of its long-term vision and medium-term management plan, and that it strongly indicates its management policy of aiming to grow together with society while fulfilling its responsibilities that are commensurate with a company listed on the TSE Prime Market. In recent years, interest in companies' social responsibilities has been rising among the major investors, such as pension funds, and a growing trend is for "ESG investment," of selecting the issues of companies that prioritize working on ESG. The groups of investors acquiring the Company's shares is expected to further expand globally in the future from their greater understanding of the Moriroku Group's proactive approach toward sustainability and information disclosure.

Promoting sustainability activities



Toward further increase of corporate value

Source: From the Company's results briefing materials

3. Initiatives (progress) of the medium-term management plan

Initiatives and progress so far on the 13th medium-term management plan (FY3/23-FY3/25), the first step towards achieving the 2030 Vision based on the theme of "CREATE THE NEW VALUE", are outlined below.

**(1) Resin-Treated Products Business: Promote four strategies looking to a once-in-a-century transformation**

With automobile electrification accelerating globally and autonomous driving technologies advancing, vehicle interiors are changing into spaces like living rooms emphasizing relaxation. The Company views this change as an opportunity, and plans to advance R&D from the four directions outlined below.

**1) Evolving core technologies**

By evolving elemental technologies, the Company aims to increase the valuation of interiors and raise the value added to each component.

**2) Enhancing the value of interior space for next-generation vehicles**

By fusing existing decorative technologies and electrical technologies, the Company will enhance the design and convenience features of vehicle interiors. It will also work to improve energy efficiency.

**3) Realizing carbon neutrality**

The Company will leverage strengths within the Group, from materials and compounds to design and mass production, to develop and commercialize environmental materials.

**4) Expanding business in different industries and new customers**

While actively increasing sales to automakers other than existing customers, the Company will also turn its attention to different industries. To that end, it will actively promote collaboration with other companies and within the Group.

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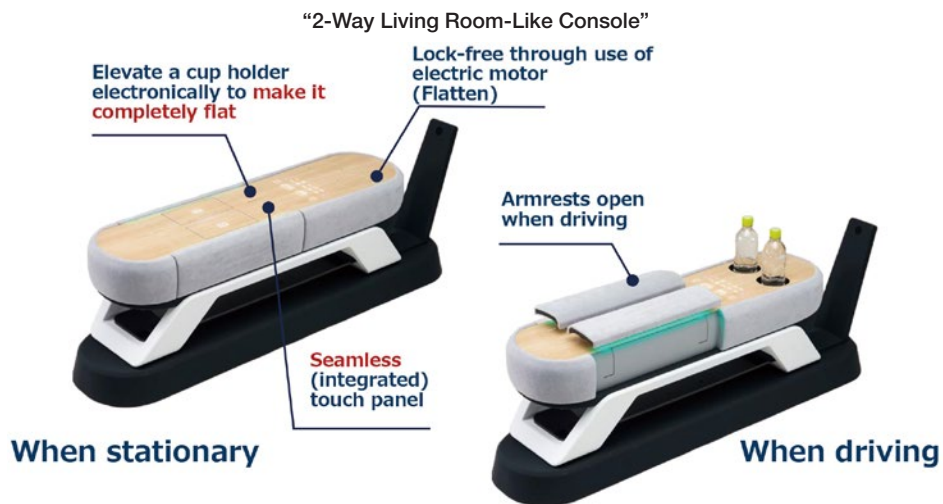
Medium-Term Management Plan

**(2) Resin-Treated Products Business: Focus on proposal-based development that anticipates needs in line with the four strategies**

The Company has developed the two products below in line with this policy, displayed both prototypes at Automotive Engineering Exposition 2023, and is proactively engaging in publicity activities.

**1) “2-Way Living Room-Like Console” that creates a relaxing interior**

Developed based on the concept of bringing the convenience of a living room table at home straight into the vehicle, this console is fully flat and can be used freely like a living room table when stationary, while hidden console functions are activated using sensors and automation when driving.



Source: From the Company's results briefing materials

**2) Console made with natural materials**

The Company is mixing in waste materials of natural origin such as rice hulls and egg shells to reduce the amount of resin used in consoles. At the same time, it is pursuing the best combinations of materials, compounds and design methods to maintain functions such as impact resistance and light resistance.



Source: From the Company's materials

## Medium-Term Management Plan

**(3) Resin-Treated Products Business: Expand business and strengthen competitiveness through business alliances with multiple partner companies**

Electrification and the evolution of autonomous driving technologies have brought about a need for suppliers to offer comprehensive value propositions such as total vehicle interior coordination, rather than single components. Therefore, the Company plans to strengthen its ability to propose solutions by actively collaborating with partner companies capable of complementing it in areas where it is lacking; specifically, system integration coordination and electronics control technology. It has already started discussions aimed at alliances with several companies.

**(4) Chemicals Business: Focus on delving deeper into existing businesses and expanding new products in four main fields****1) Mobility (FY3/24 initiatives)**

The Company has traditionally mainly dealt with automotive materials, but will reinforce collaboration with Moriroku Technology and build a framework for supplying parts in Japan and North America.

For automotive applications: Establish an ordering system for automotive parts (mainly in Japan and North America) in collaboration with the Resin-Treated Products Business

For semiconductor applications: Roll out manufacturing process materials (indirect materials, films, etc.). Expand products for use in battery materials.

**2) Fine chemicals (FY3/24 initiatives)**

The Company will work to uncover needs for carbon nanotubes and other new materials. It will also focus on strengthening the business base for expansion in the field of synthesis of chemicals on consignment, using Goko Kasei Industrial's new plant.

Environmentally-friendly resins: Expand sales for industrial and automotive applications (mainly in the ASEAN region)

Carbon nanotubes: Develop applications (uncover customer needs)

**3) Life sciences (FY3/24 initiatives)**

The Company will further expand business in the ASEAN region, mainly at the sites established in India and Vietnam.

Transparent resin and films: Further cultivate customers in the medical, European construction material, and food sectors

Food ingredients, raw materials for cosmetics, and functional packaging materials: Pursue synergies (mainly in Vietnam and India), such as integrated proposals for food and packaging

**4) Manufacturing (FY3/24 initiatives)**

Synthesis of chemicals on consignment: Implement actual prototypes using Goko Kasei Industrial's new plant.

Highly functional films: Develop films addressing the "3Rs" (Reduce, Reuse, Recycle)

**5) Chemicals Business: Expand applications for original environmentally-friendly products**

In the Chemicals Business, the Company is expanding its lineup of environmentally-friendly products. APTON®, a corrugated plastic manufactured at Shikoku Kakoh, was mainly used as a packaging material hitherto, but its application has been expanded to plastic containers using its corrugated shape for tree planting in Africa.

In addition, the Company deployed pelletizing equipment in November 2022 to promote in-house recycling of plastic waste from manufacturing processes. Going forward, it plans to work to expand products using recycled pellets and promote eco-friendly recycling-based business.

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Medium-Term Management Plan

**(5) Improve the resilience of management by promoting sustainability activities**

As for sustainability activities, the Company worked on the environmental front towards carbon neutrality by installing solar power facilities and purchasing CO<sub>2</sub>-free electricity. As a result of these initiatives, the Company effectively switched to 100% renewable energy for electricity used at its Suzuka Plant, achieving a zero CO<sub>2</sub> emissions factor associated with the plant’s electricity use. It also declared its support for the Task Force on Climate-related Financial Disclosures (TCFD) and started disclosing information related to climate change.

As for human resources, the Company formulated the Moriroku Group Human Rights Policy, establishing a framework for human rights management throughout the entire supply chain, while advancing measures to raise employee engagement. It intends to continue working in FY3/24 onward to achieve the KPIs in the two areas of the environment and human resources set out in the 13th medium-term management plan.

Suzuka Plant, Moriroku Technology Co., Ltd.



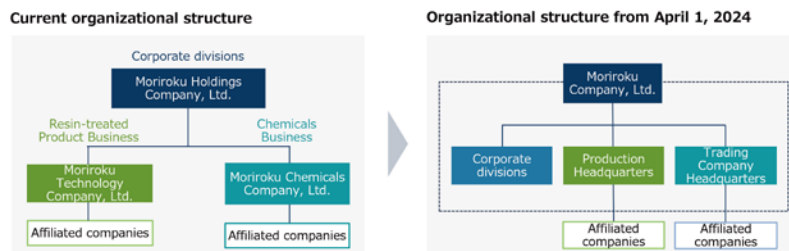
Source: From the Company’s materials

**(6) Topic: Transition to an operating holding company**

The Company announced it will transition to an operating holding company as of April 1, 2024, with the new trade name “Moriroku Company, Ltd.” through a merger of the holding company (Moriroku Holdings Company, Ltd.) and the main operating companies (Moriroku Technology Company, Ltd. and Moriroku Chemicals Company, Ltd.).

The Company’s objective is to “realize synergies and speed up new business creation through inter-organizational cooperation within the Group, realize faster decision-making, and improve operational efficiency.”

New organizational structure



Source: From the Company’s results briefing materials

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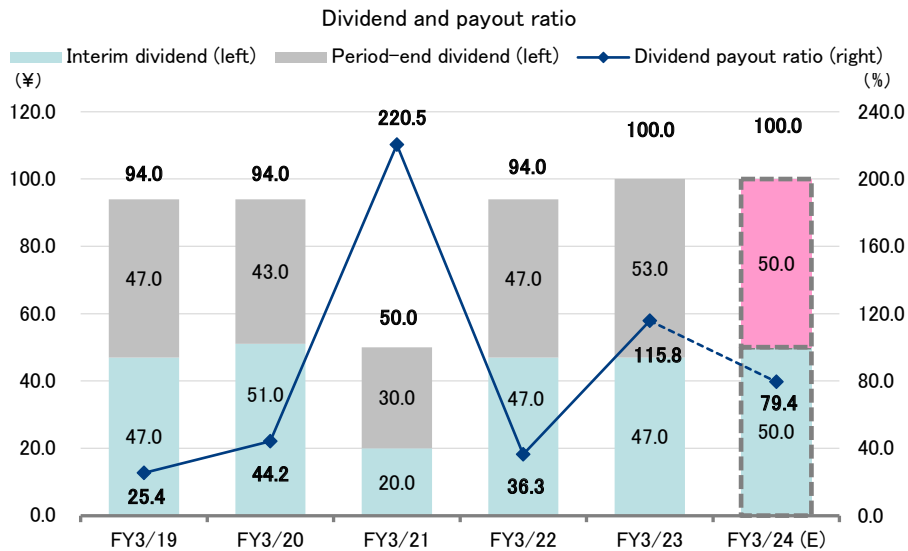
## Shareholder return policy

### Paying stable and continuous dividends. Proactive in share buybacks

The Company considers returning profits to shareholders to be one of its most important management issues, and its basic policy is to continuously and stably pay dividends while securing the internal funds it needs to conduct business development and to respond to changes in the management environment in the future.

For the FY3/23 dividend per share, it paid an interim dividend of ¥47 and a period-end dividend of ¥53 for a total dividend of ¥100, an increase of ¥6 YoY. For FY3/24 currently underway, its plans at this time are to pay an annual dividend of ¥100 (forecast dividend payout ratio of 79.4%), the same amount as in FY3/23.

As well, the Company completed share buybacks totaling ¥2.0bn in October 2022 and announced an additional ¥1.0bn share buyback and retirement of shares. FISCO is positive on its stance on rewarding shareholders.



Source: Prepared by FISCO from the Company's financial results



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