

# MORESCO Corporation

Strives to glitter in the global market

## The 62nd Annual Shareholders' Meeting

(From Mar 1, 2019 to Feb 29, 2020)

Tokyo Stock Exchange 1st section 5018 (Petroleum and Coal products)

May 26, 2020

# The term 62nd

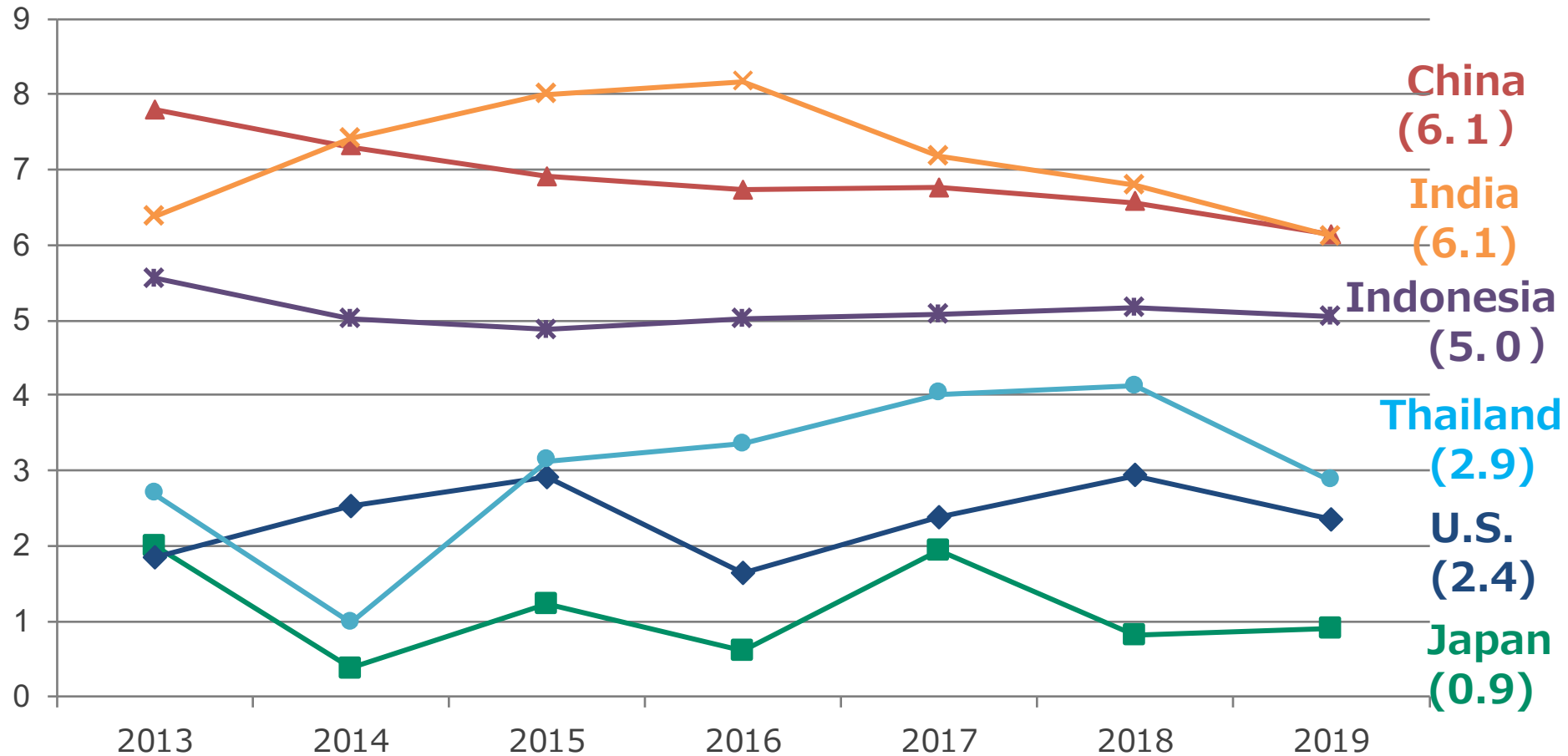
## 1. Business Report & Consolidated Financial Result Report

# Real GDP Growth Rate Trend

MORESCO

Information : IMF World Economic  
Outlook Databases

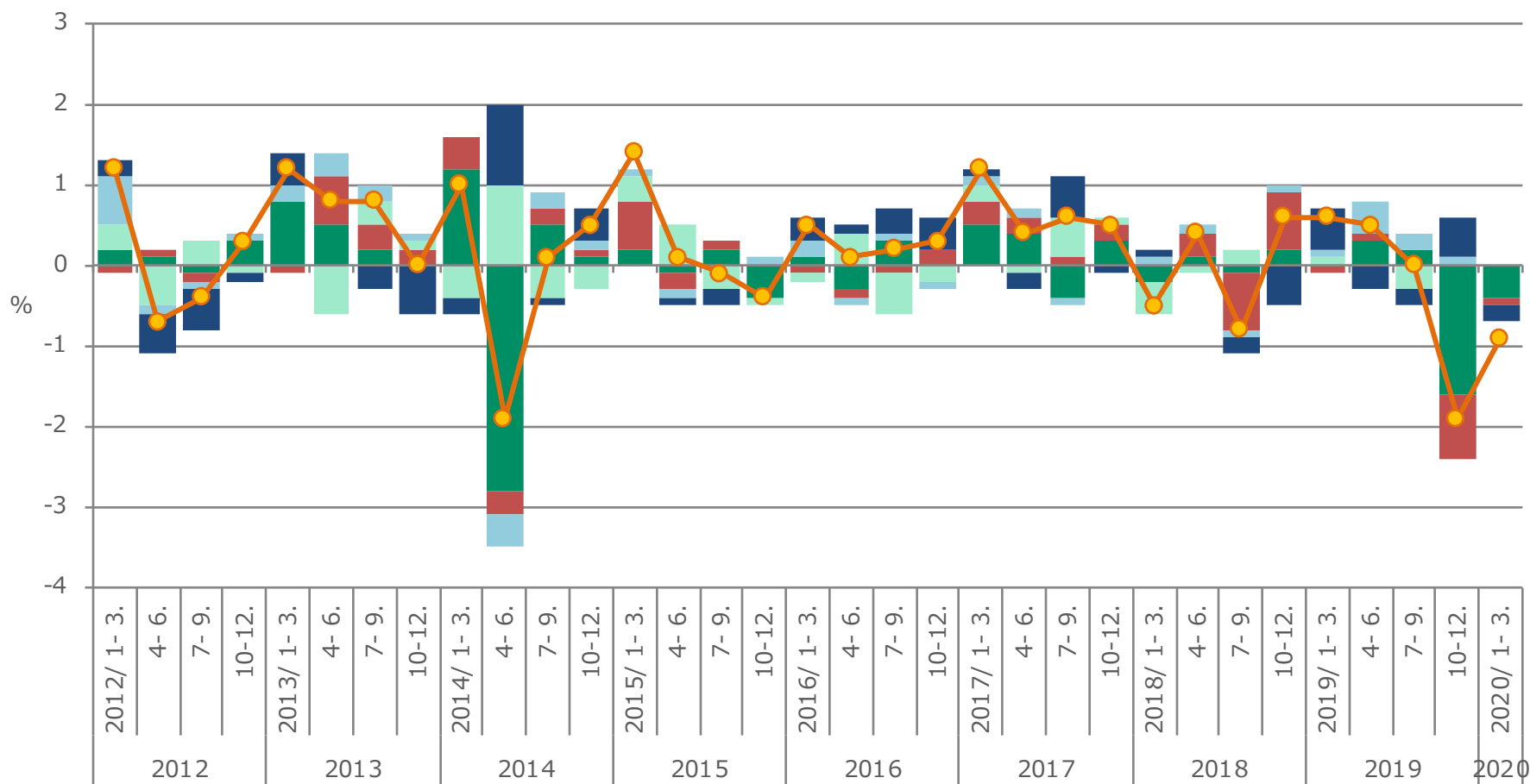
## % Real GDP Growth Rate Trend (year-on-year)



# Contribution of Japan Real GDP Growth Rate

■ Total/Household Expenditures (Consumption + Housing)
 ■ Total/Private Capital Investment
 ■ Total/Private Inventory Investment
 出展：内閣府

■ Total/Public demand
 ■ Total/External demand
 ● Total/Real GDP Growth Rate



# Monthly Car Production in Japan

MORESCO

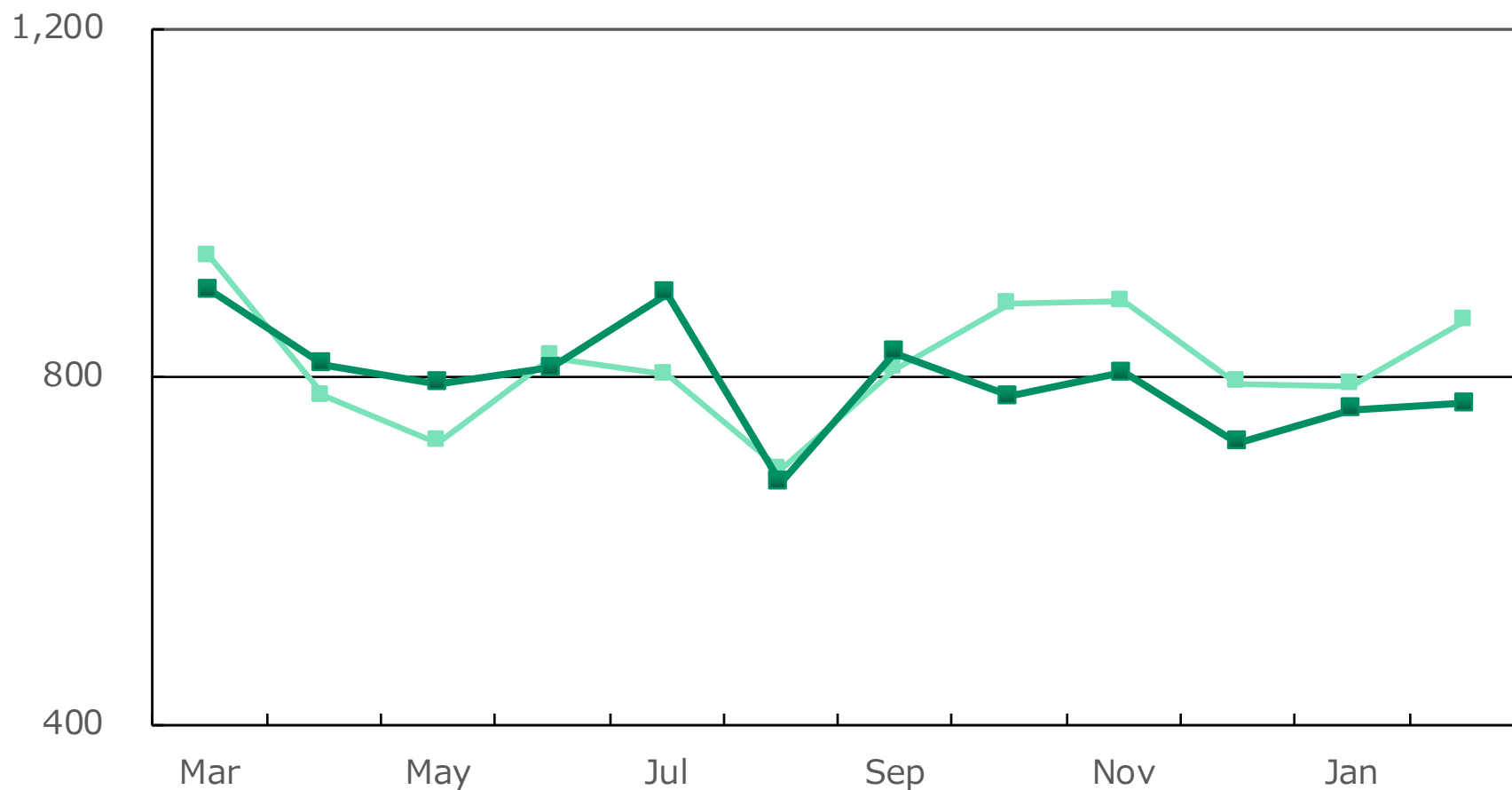
Decreased by **2.3%** vs.FY2018

Mar2018-Feb2019

Mar2019-Feb2020

Thousand units

Information: Japan Automobile Manufacturing Association



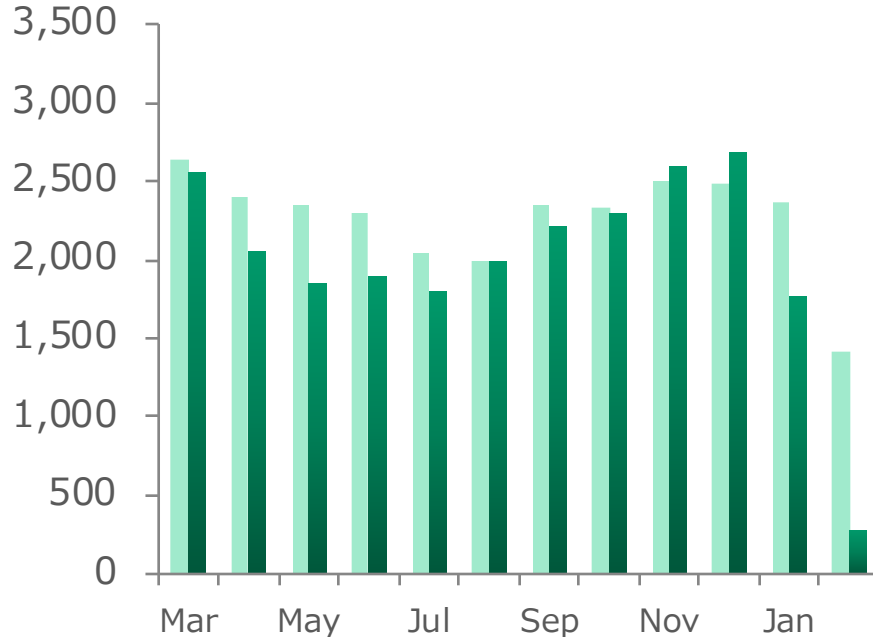
# Overseas Monthly Car Production

MORESCO

■ Mar2018-Feb2019  
■ Mar2019-Feb2020

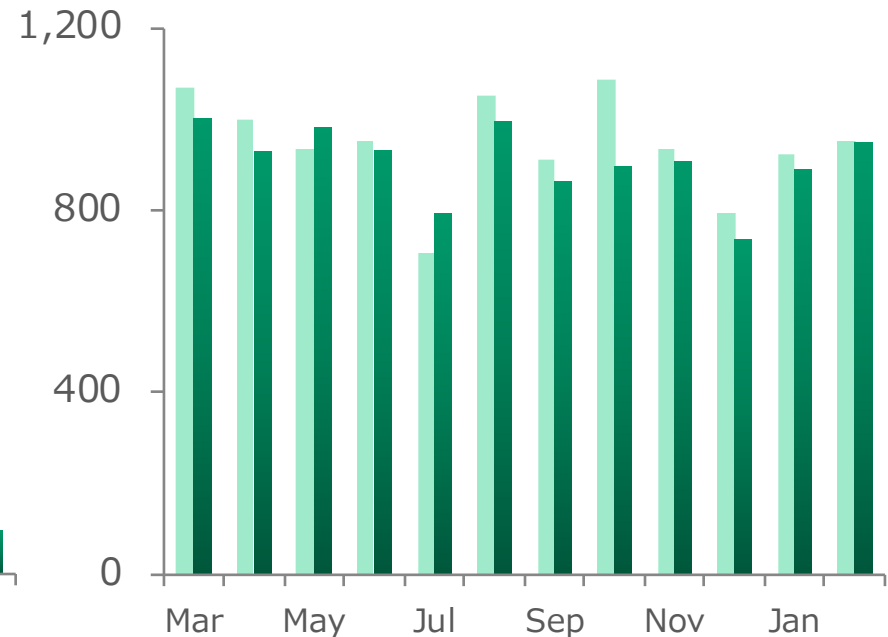
China(10.2%)

Thousand units



US(3.5%)

Thousand units



(year-on-year)

Information : MarkLines Co., Ltd.

# Overseas Monthly Car Production

**MORESCO**

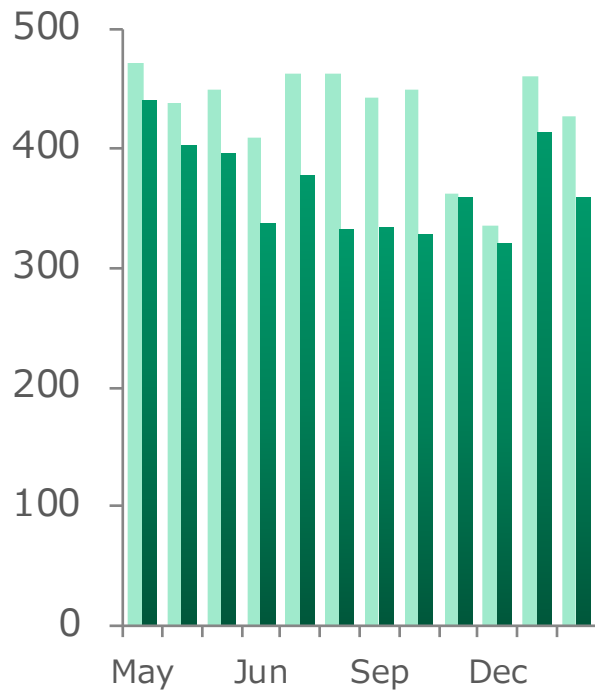
■ Mar2018-Feb2019  
■ Mar2019-Feb2020

## India(14.9%)

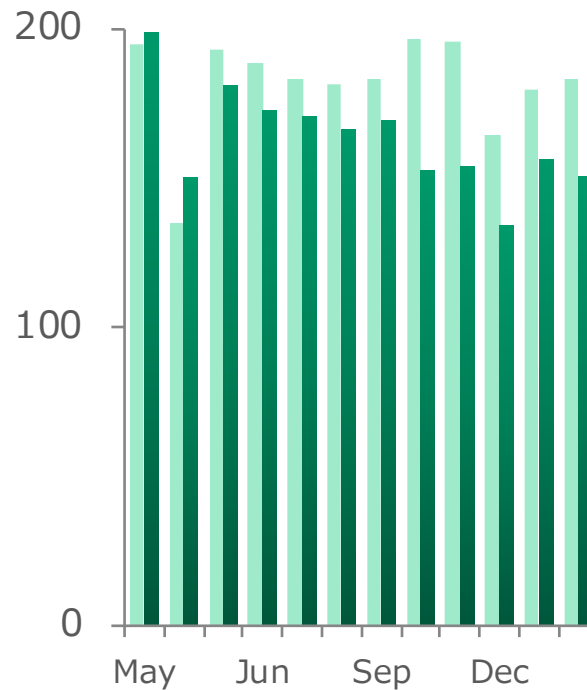
## Thailand(10.2%)

## Indonesia(1.8%)

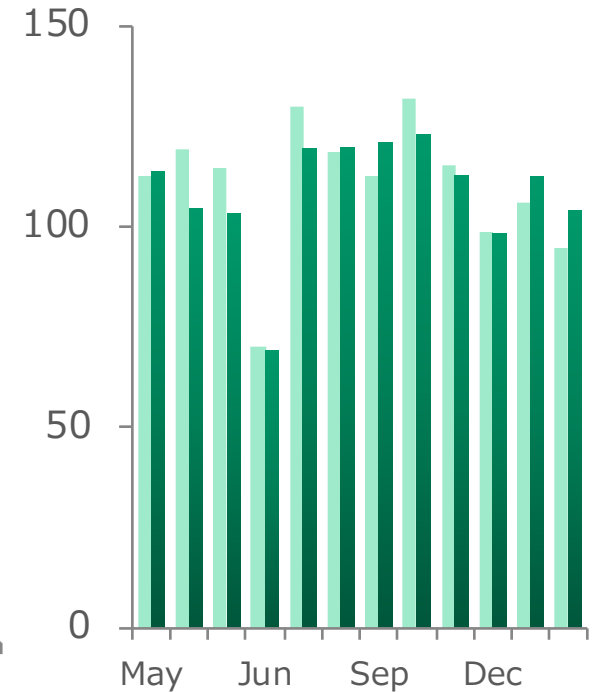
Thousand units



Thousand units



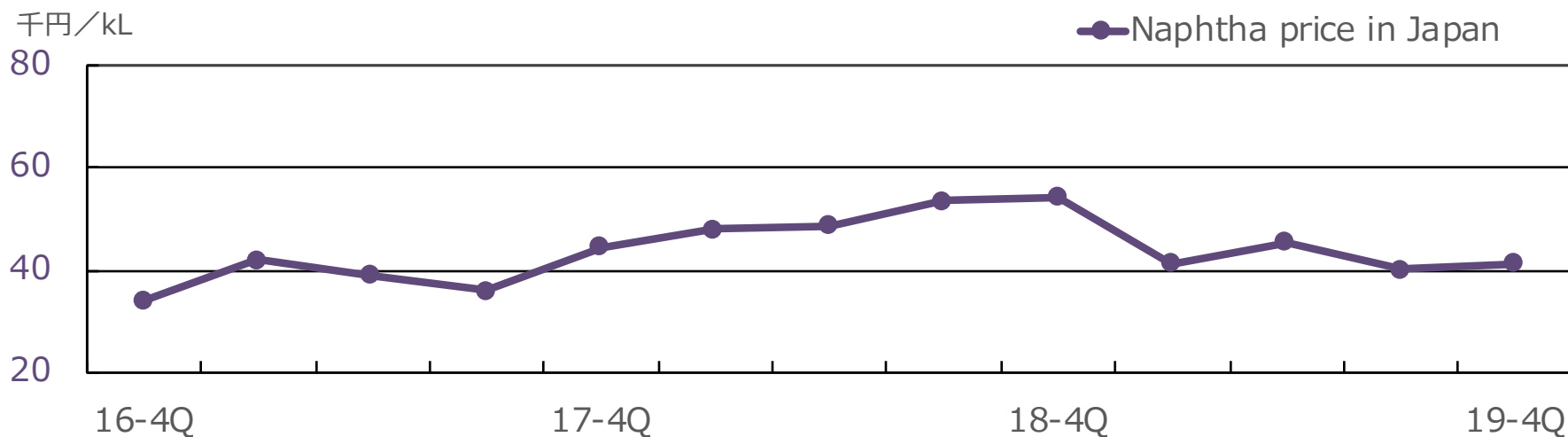
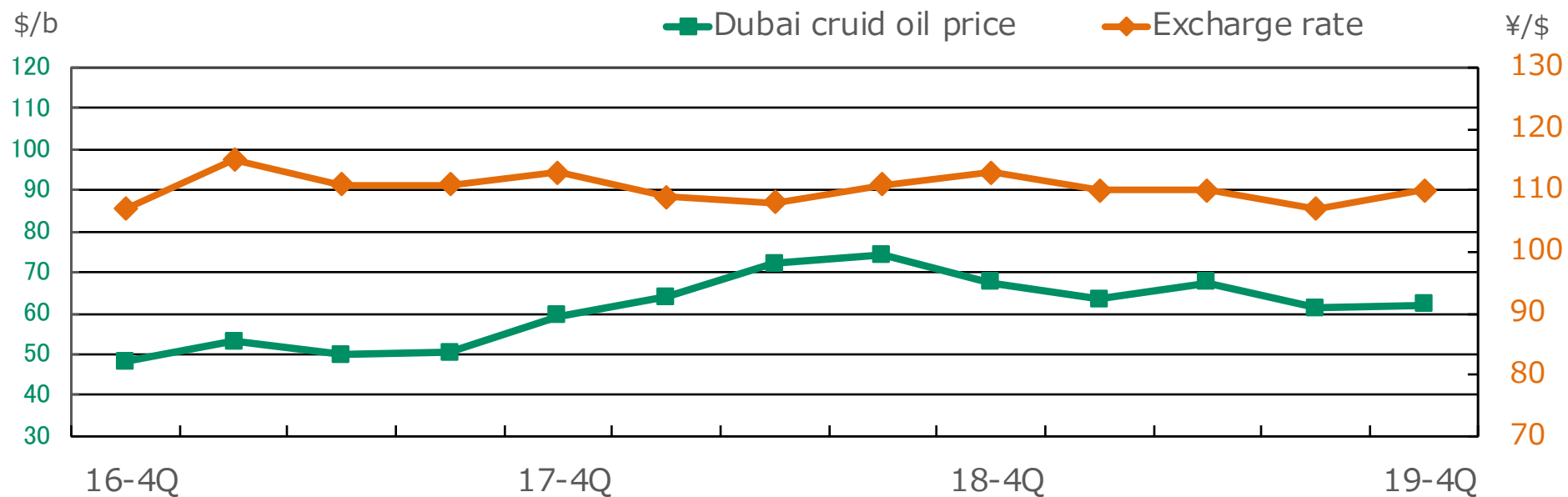
Thousand units



Information : MarkLines Co., Ltd.

# Oil Prices & Exchange Rate

MORESCO



# Consolidated Income Statement

**MORESCO**

Millions of yen

Account title	FY2018	FY2019	Year-on-year change
Net Sales	28,806	27,064	(6.0%)
Gross Profit	9,319	8,734	(6.3%)
Selling, General and Administrative Expenses	7,369	7,456	+1.2%
Operating Income	1,950	1,279	(34.4%)
Non-operating profit & loss	252	289	+ 14.8%
Ordinary Income	2,202	1,568	(28.8%)
EXtraordinary profit & loss	76	—	—
Income Before Income Tax	2,278	1,568	(31.2%)
Net Income *	1,438	776	(46.0%)

\*Net income attributable to owners of parent. The same applies hereafter.

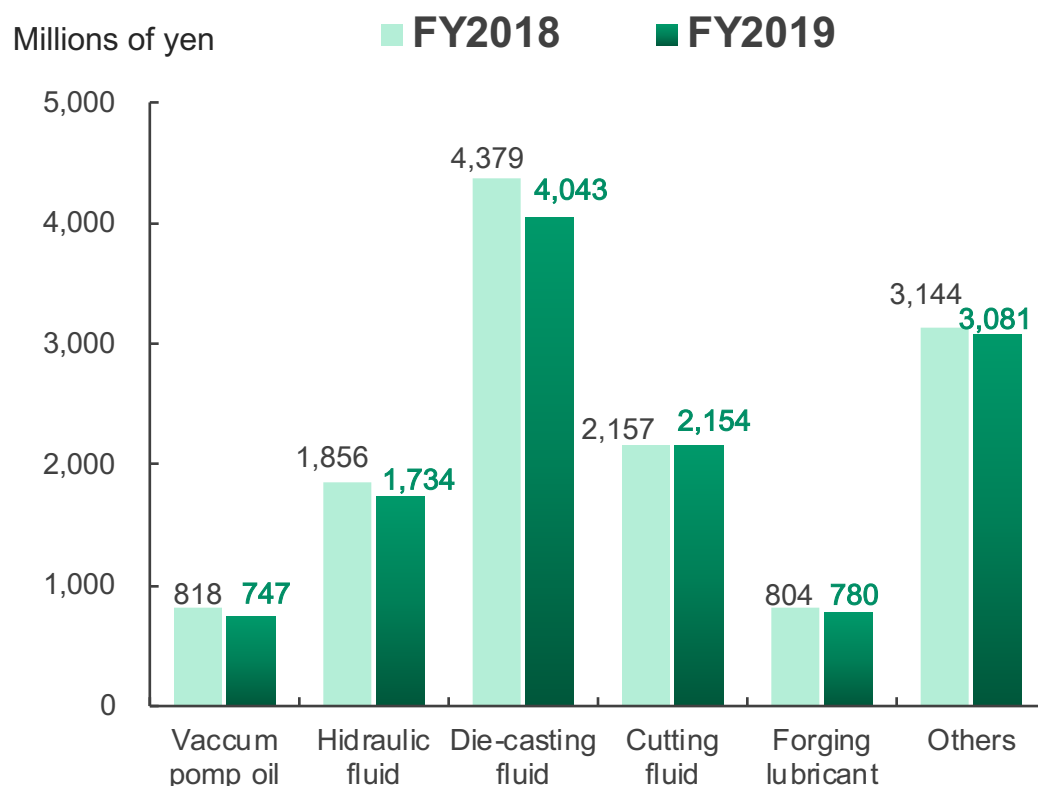
# Net Sales of Business Units

**MORESCO**

Millions of yen

Account title	FY2018	FY2019	Year-on-year change
Functional Fluids	13,158	12,540	(4.7%)
Synthetic Lub	2,602	2,115	(18.7%)
(HD Surface Lub)	(1,271)	(917)	(27.9%)
Liquid Paraffin & Sulfonates	3,874	3,720	(4.0%)
Hot Melt Adhesive	7,318	6,882	(6.0%)
Other	1,800	1,754	(2.6%)
Chemical Products TTL	28,752	27,011	(6.1%)
Rental Building Business	53	53	+0.0%
Total Net Sales	28,806	27,064	(6.0%)

- Sales **decreased by 4.7% (12,540 million yen)** vs. FY2018
- Sales volume decreased by 5.5%



## ➤ Die casting lubricants

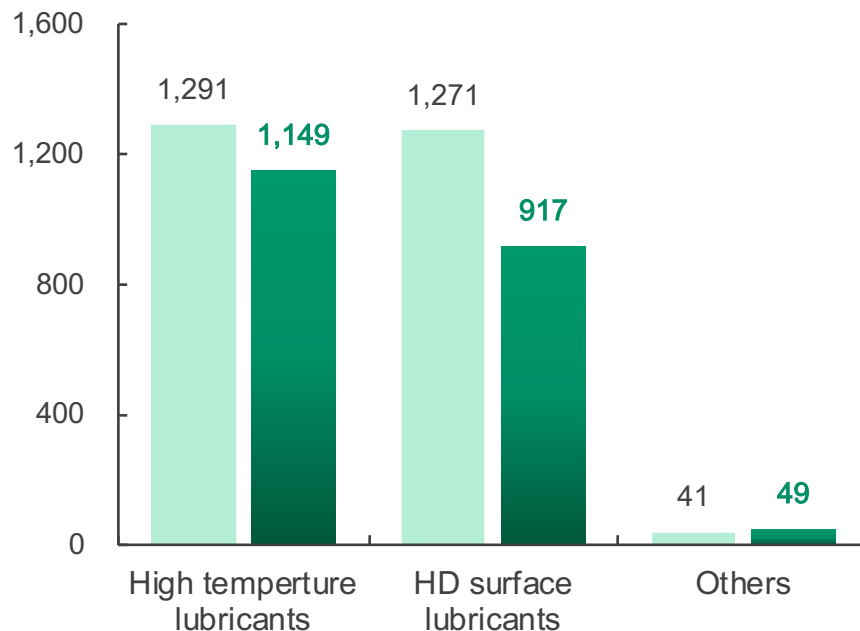
Sales fell down due to the decline of automobile products in China.

## ➤ Cutting fluid

Sales remained flat because of shipping decrease to our clients, but of acquiring new ones.

- Sales **decreased by 18.7% (2,115 million yen)** vs. FY2018
- Sales volume decreased by 12.2%

Millions of yen    ■ FY2018    ■ FY2019



## ➤ High temperature lubricants

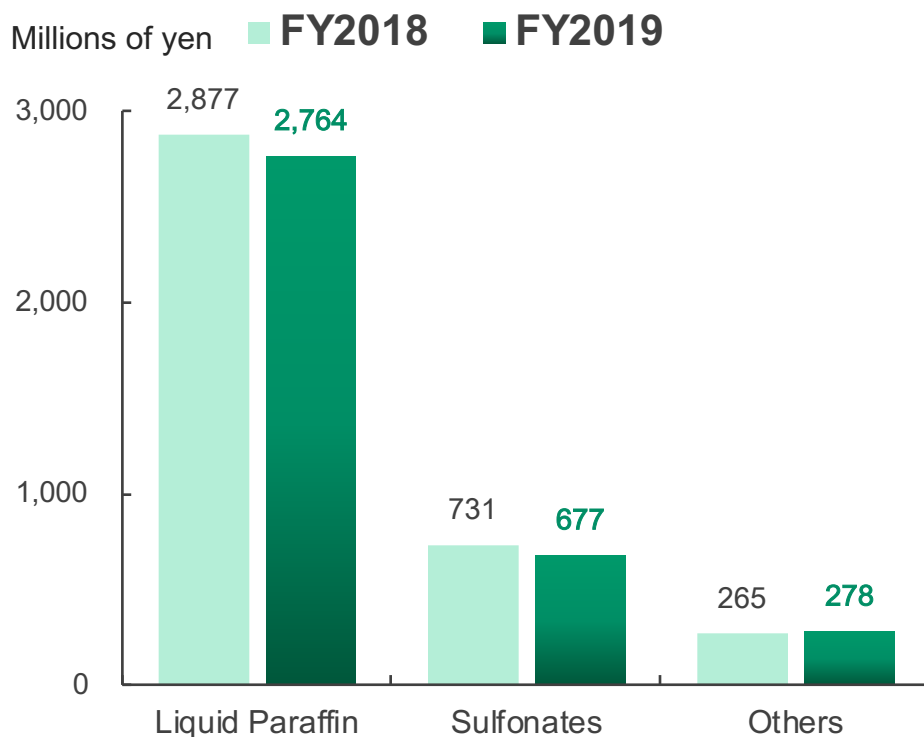
For use as grease base oils in automobile makers  
Sales fell down because the exports to China declined.

## ➤ Hard disc surface lubricants

Sales tumbled due to the reduction of  
Hard disk drive market.

# Division Performance - Liquid Paraffin & Sulfonate **MORESCO**

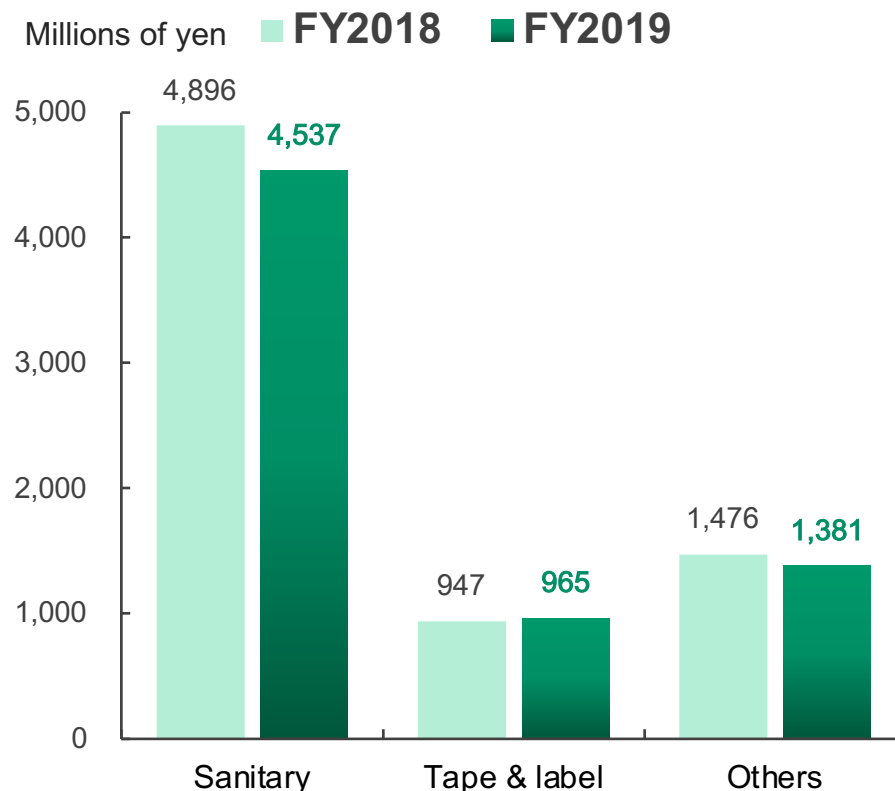
- Sales **decreased by 4.0% (3,720 million yen)** vs. FY2018
- Sales volume decreased by 5.4%



## ➤ Liquid Paraffin

Sales for cosmetic use and lithium-ion cell membrane use fell down due to the production adjustment of clients.

- Sales **decreased by 6.0% (6,882 million yen)** vs. FY2018
- Sales volume decreased by 6.6%



➤ **For sanitary products**

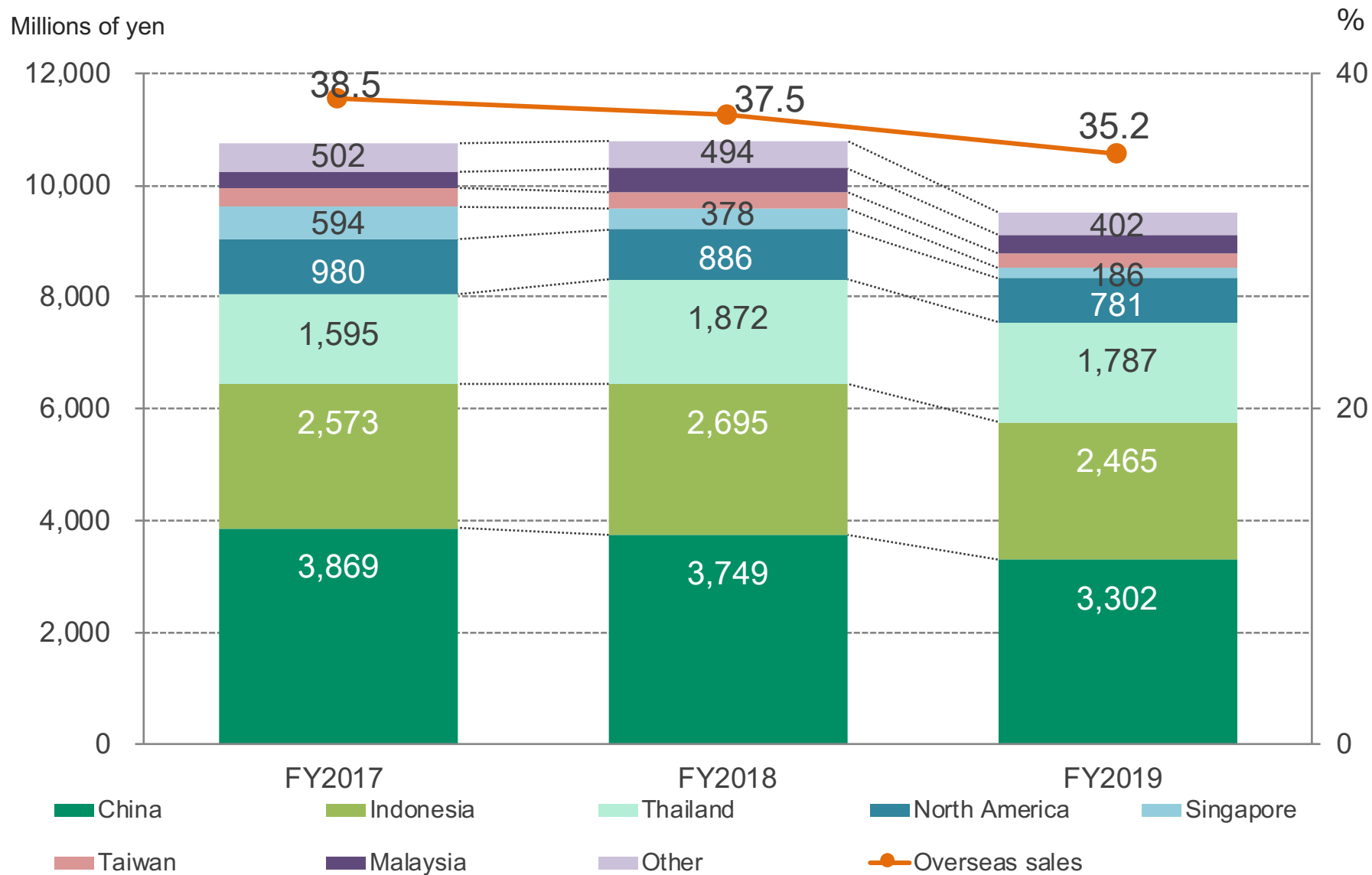
Sales fell down by production adjustment in the world.

➤ **For adhesive processing**

Label use increased in domestic and China.

# Overseas Sales (Consolidated)

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# Consolidated Income Statement

**MORESCO**

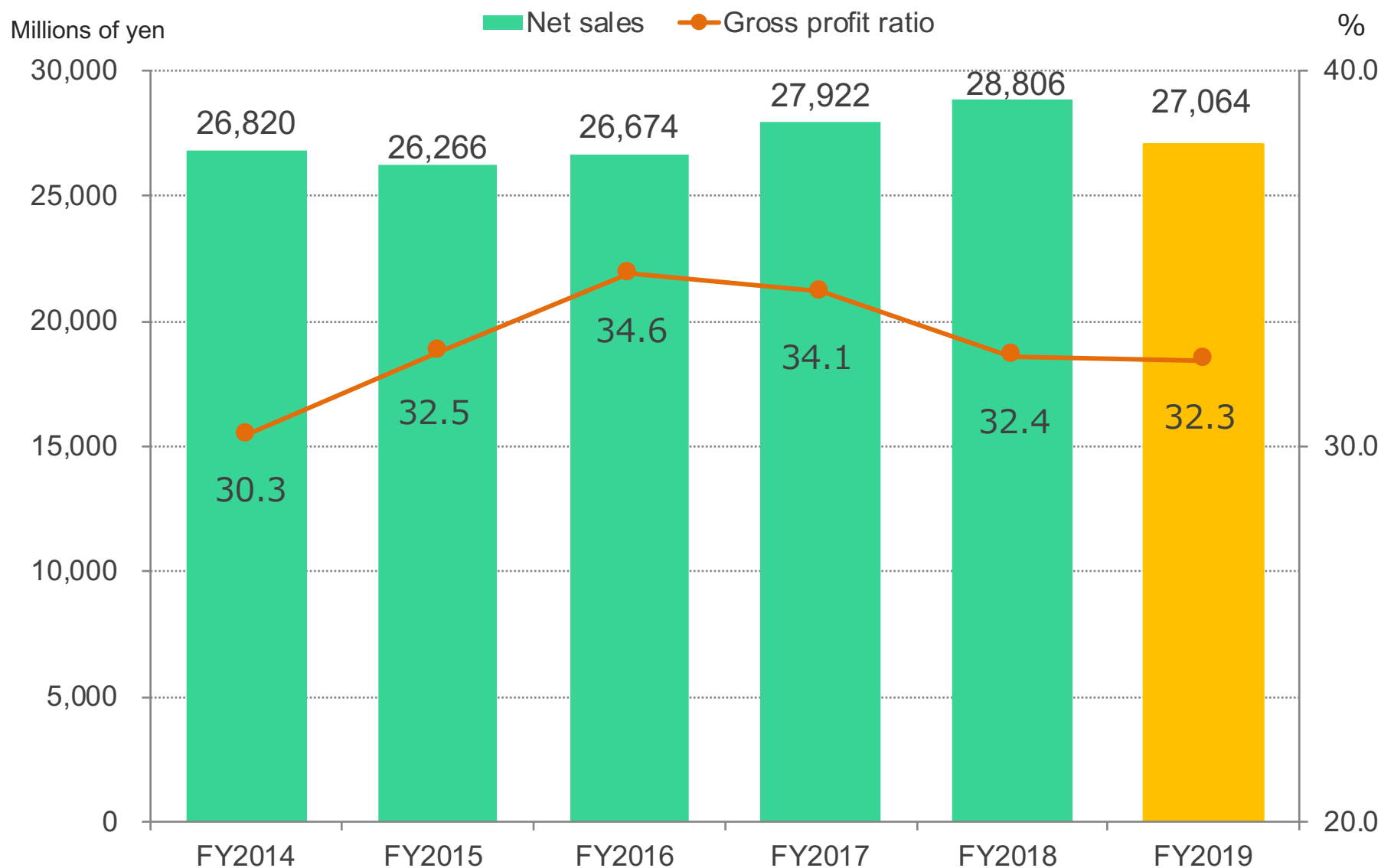
Millions of yen

Account title	FY2018	FY2019	Year-on-year change
Net Sales	28,806	27,064	(6.0%)
Gross Profit	9,319	8,734	(6.3%)
Selling, General and Administrative Expenses	7,369	7,456	+1.2%
Operating Income	1,950	1,279	(34.4%)
Non-operating profit & loss	252	289	+ 14.8%
Ordinary Income	2,202	1,568	(28.8%)
EXtraordinary profit & loss	76	—	—
Income Before Income Tax	2,278	1,568	(31.2%)
Net Income *	1,438	776	(46.0%)

\*Net income attributable to owners of parent. The same applies hereafter.

# Net Sales and Gross Profit Ratio

MORESCO



# Consolidated Income Statement



Millions of yen

Account title	FY2018	FY2019	Year-on-year change
Net Sales	28,806	27,064	(6.0%)
Gross Profit	9,319	8,734	(6.3%)
Selling, General and Administrative Expenses	7,369	7,456	+1.2%
Operating Income	1,950	1,279	(34.4%)
Operating profit ratio	6.8%	4.7%	(2.1%)
Non-operating profit & loss	252	289	+ 14.8%
Ordinary Income	2,202	1,568	(28.8%)
EXtraordinary profit & loss	76	—	—
Income Before Income Tax	2,278	1,568	(31.2%)
Net Income *	1,438	776	(46.0%)

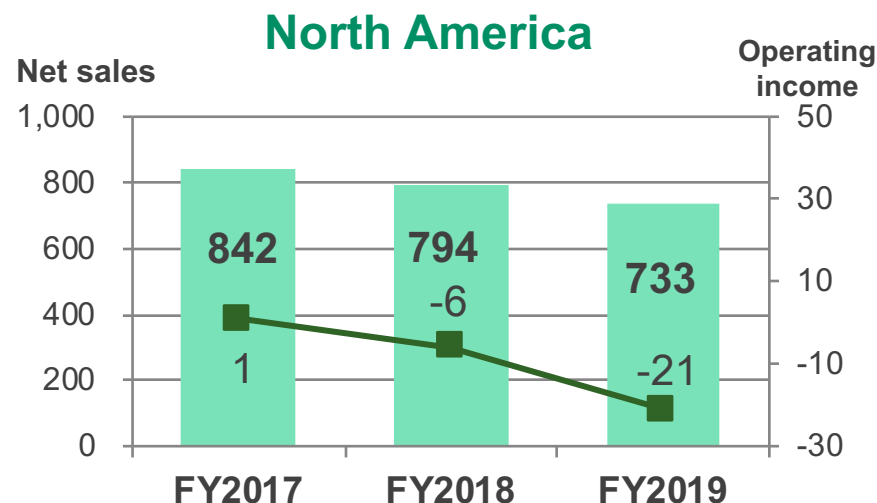
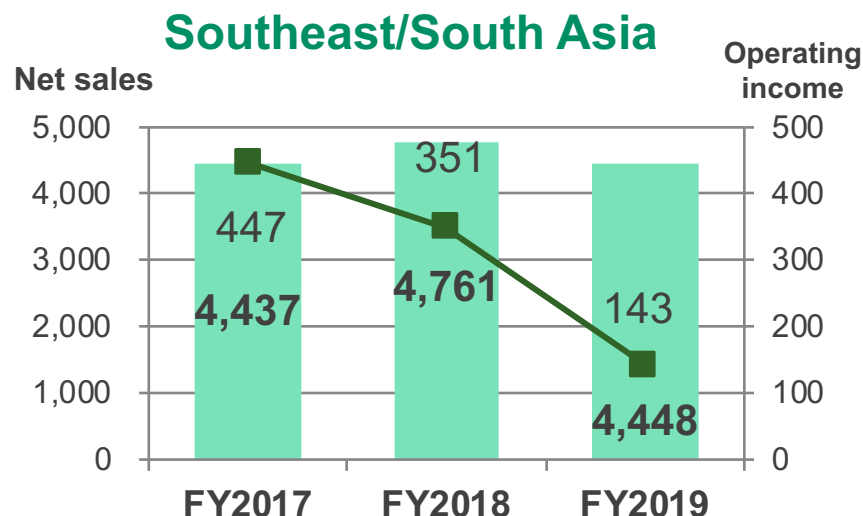
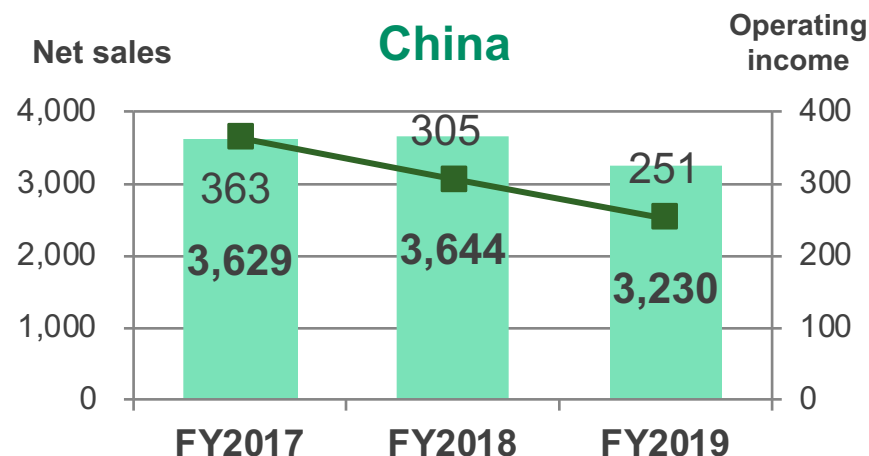
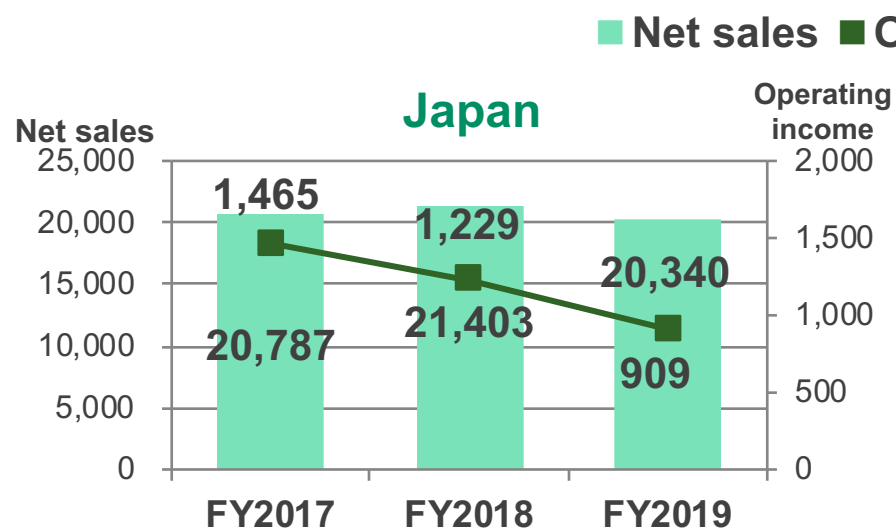
\*Net income attributable to owners of parent. The same applies hereafter.

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# Profit and loss by country (Consolidated)

**MORESCO**

Millions of yen



# Consolidated Income Statement

**MORESCO**

Millions of yen

Account title	FY2018	FY2019	Year-on-year change
Net Sales	28,806	27,064	(6.0%)
Gross Profit	9,319	8,734	(6.3%)
Gross Profit ratio	32.4%	32.3%	(0.2%)
Selling, General and Administrative Expenses	7,369	7,456	+1.2%
Operating Income	1,950	1,279	(34.4%)
Non-operating profit & loss	252	289	+ 14.8%
Ordinary Income	2,202	1,568	(28.8%)
Ordinary profit ratio	7.6%	5.8%	(24.2%)
EXtraordinary profit & loss	76	—	—
Income Before Income Tax	2,278	1,568	(31.2%)
Net Income	1,438	776	(46.0%)
Net Income ratio	5.0%	2.9%	(42.5%)

\*Net income attributable to owners of parent. The same applies hereafter.

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# Balance Sheet (Consolidated)

**MORESCO**

Millions of yen

Account title	FY2019	Increase/ Decrease	Account title	FY2019	Increase/ Decrease
Cash & Deposit	3,576	199	Trade Payable	4,072	(455)
Notes and Accounts Receivable-trade	6,720	(143)	Interests bearing debt (Current)	3,585	637
Inventories	4,779	114	Other Current liabilities	1,650	(752)
Other	360	63	Other Noncurrent Liabilities	612	10
Current Assets	15,436	234	Total Liabilities	9,919	(561)
Property, Plant and Equipment	9,034	( 197)	Capital Stock · Capital Surplus	4,098	0
Intangible Assets	1,046	( 229)	Retained Earnings	11,998	297
Investments and Others	2,613	65	Treasury Stock	(157)	16
Fixed Assets	12,693	(361)	Accumulated Other Comprehensive Income	(7)	(85)
			Non-Controlling Interest	2,278	207
			Total Net Assets	18,209	434
Total Assets	28,129	△ 127	Total Liability & Assets	28,129	(127)

Note: Increase/Decrease vs. FY2018

# Consolidated Shareholders' Equity (1)

**MORESCO**

Millions of yen

	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Shareholders' Equity Total
Balance at Mar 1, 2019 (reflecting changes in accounting policies)	2,118	1,979	11,701	(172)	15,626
Change in ownership interest of parent due to transactions with non-controlling interests		1			1
Dividends of Surplus			(480)		(480)
Net income attributable to owners of parent			776		776
Acquisition of Treasury Stock		(1)		16	14
Change in Items Other than Shareholders' Equity (Net)					
Total Changes of Items during the Period		0	297	16	312
Balance at Feb 29, 2020	2,118	1,979	11,998	(157)	15,939

# Consolidated Shareholders' Equity (2)

**MORESCO**

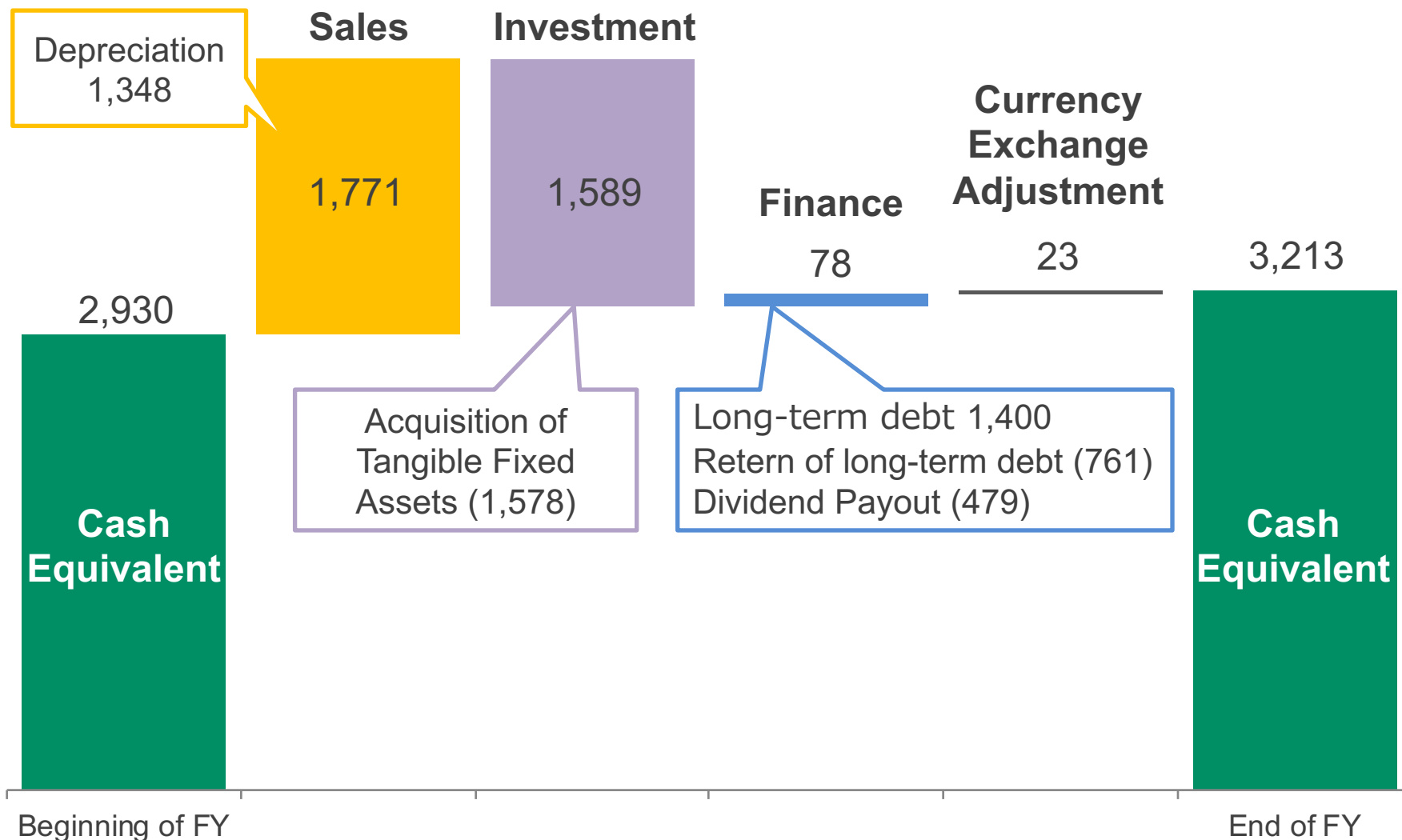
Millions of yen

	Accumulated other comprehensive income				Non-controlling interest	Total net assets
	Other difference in Securities valuation	Foreign currency translation adjustment	Adjustment of retirement benefit plans	Total accumulated other comprehensive income		
Balance at Mar 1, 2019 (reflecting changes in accounting policies)	32	33	13	78	2,072	17,775
Change in ownership interest of parent due to transactions with non-controlling interests						1
Dividends of Surplus						(480)
Net income attributable to owners of parent						776
Acquisition of Treasury Stock						14
Change in Items Other than Shareholders' Equity (Net)	(17)	(43)	(25)	(85)	207	122
Total Changes of Items during the Period	(17)	(43)	(25)	(85)	207	434
Balance at Feb 29, 2020	15	(10)	(13)	(7)	2,278	18,209

# Cash Flow for FY2019

**MORESCO**

Millions of yen



	FY2018	FY2019
<b>Per Share</b>		
<b>Net Income</b>	<b>148.85yen</b>	<b>80.91yen</b>
<b>Net Asset</b>	<b>1,637.29yen</b>	<b>1,659.74yen</b>
<b>Return on Equity (ROE)</b>	<b>9.3%</b>	<b>4.9%</b>
<b>Return on Asset (ROA)</b>	<b>5.2%</b>	<b>2.8%</b>
<b>Ordinary Income Ratio</b>	<b>7.6%</b>	<b>5.8%</b>
<b>The Number of Shareholders at the end of the year</b>	<b>12,251</b>	<b>20,389</b>

	FY2018	FY2019
Consolidated Net Income	1,438 million yen	776 million yen
Cash Dividend	484 million yen	480 million yen
Dividend per Share	50 yen	* 50 yen
Dividend Payout Ratio (Note)	33.6%	61.8%

\* To be confirmed at the Shareholders' Meeting

(Note) Dividend payout ratio=Dividend per share / Net Income per share

# The 62nd

## 2. Financial Report

# Income Statement (MORESCO Corporation)



Millions of yen

Account title	FY2018	FY2019	Year-on-year change
Net Sales	17,813	16,874	(5.3%)
Gross Profit	5,938	5,517	(7.1%)
Selling, General and Administrative Expenses	5,025	4,888	(2.7%)
Operating Income	913	629	(31.1%)
Non-operating profit & loss	355	332	(6.5%)
Ordinary Income	1,268	961	(24.2%)
EXtraordinary profit & loss	76	—	—
Income Before Income Tax	1,344	961	(28.5%)
Net Income *	1,048	719	(31.3%)

\*Net income attributable to owners of parent. The same applies hereafter.

# Balance Sheet (MORESCO Corporation)



Millions of yen

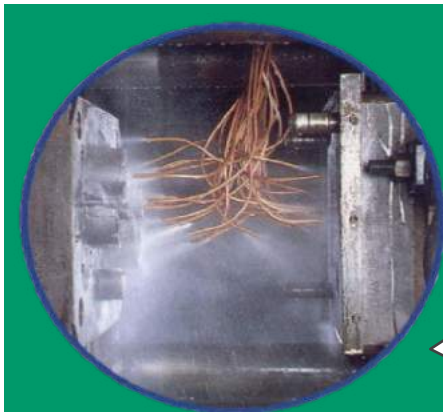
Account title	FY2019	Increase/ Decrease	Account title	FY2019	Increase/ Decrease
Cash & Deposit	635	236	Trade Payable	2,600	(236)
Notes and Accounts Receivable-trade	4,409	25	Interests bearing debt (Current)	3,433	710
Inventories	2,864	86	Other Current liabilities	1,665	(619)
Other	893	(221)	Other Noncurrent Liabilities	381	11
<b>Current Assets</b>	<b>8,801</b>	<b>125</b>	<b>Total Liabilities</b>	<b>8,088</b>	<b>(134)</b>
Property, Plant and Equipment	5,433	(320)	Capital Stock ・ Capital Surplus	4,095	(1)
Intangible Assets	713	(219)	Retained Earnings	7,627	239
Investments and Others	4,719	529	Treasury Shares	(157)	16
<b>Fixed Assets</b>	<b>10,865</b>	<b>(10)</b>	Valuation and Translation Adjustments	12	(5)
			<b>Total Net Assets</b>	<b>11,578</b>	<b>249</b>
<b>Total Assets</b>	<b>19,666</b>	<b>115</b>	<b>Total Liability &amp; Assets</b>	<b>19,666</b>	<b>115</b>

Note: Increase/Decrease vs. FY2018

# New Products • New Business


# Water soluble and small amount coating typed releasing agents (MQ series)





Former spray type

- mist scattering
- large waste liquid
- noise pollution



Small amount coating spray

- effective adhesion
- small waste liquid
- small mist

## MQ Series

### <Merit>

- Improvement of factory environment, productivity and quality

### <Records>

- Major automobile makers
- Major die-casting makers

### <Parts>

- engine blocks
- mission cases
- bulb bodies, etc.

## Future target

Expansion to forging parts

- **EV automobile parts**
- **structured parts**
- **New alloy parts**

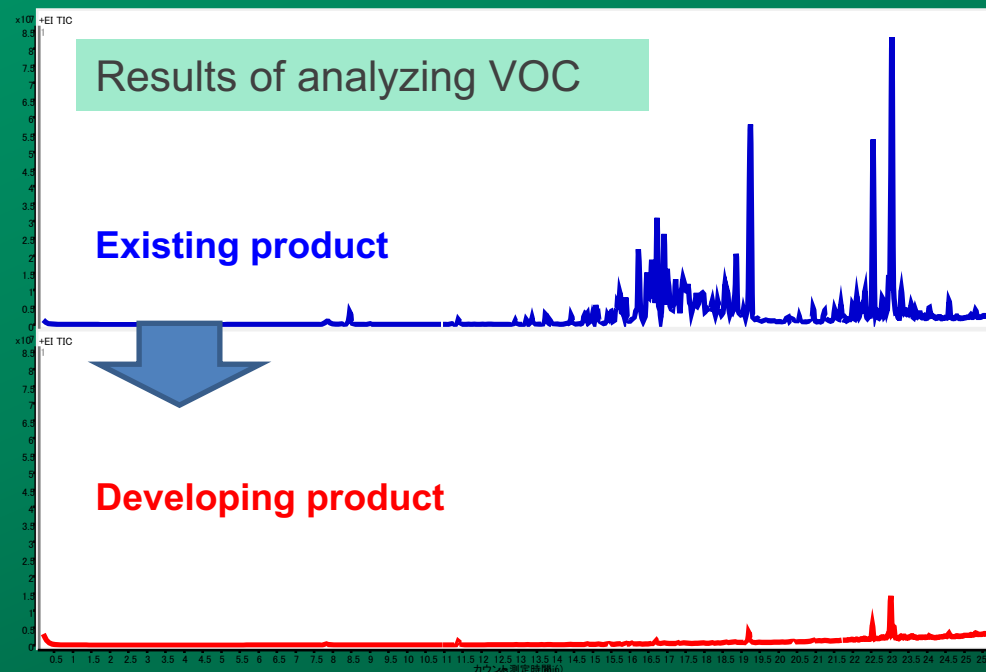


- We succeeded to reduce VOC and odor occurred from materials of HMA.

**TIANJIN MORESCO TECHNOLOGY** installed the equipment for low VOC and low odor HMA. Packaging, Car Interior, Air Filter, etc.



**TIANJIN MORESCO TECHNOLOGY**

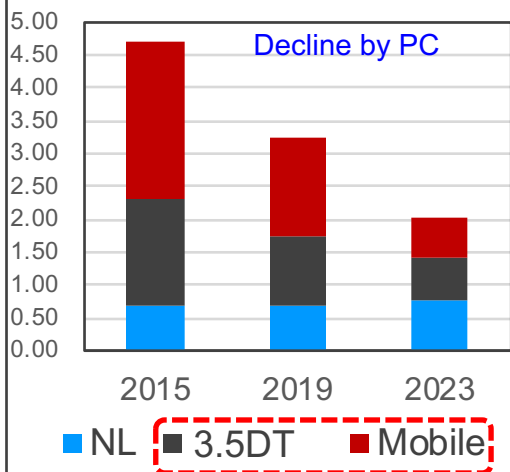


(Note) VOC is limited in the world as the cause of oxidant smog and of sick house syndrome.

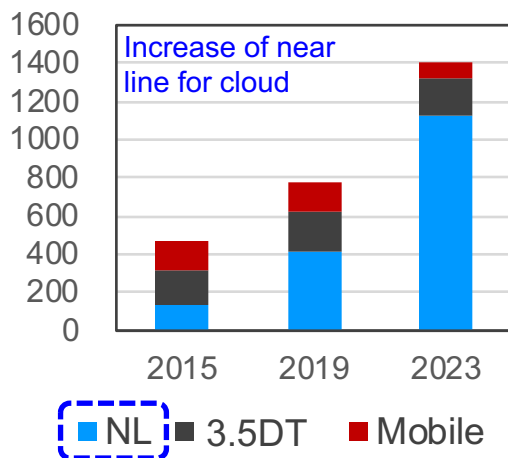
# Surface lubricants for hard disk in next generation

**MORESCO**

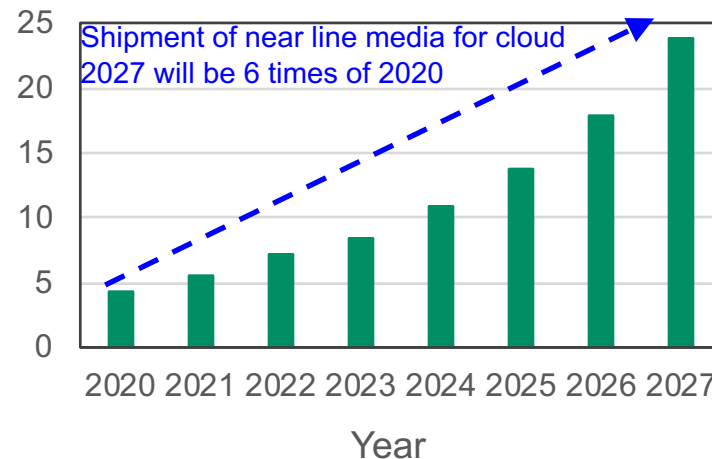
**HDD shipment [0.1bil.]**



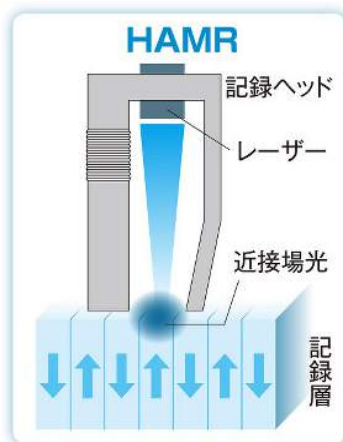
**Memory capacity [Exa Byte]**  
1 EB = 1mil. TB



**NL media shipment [ 0.1bil. ]**



Personal storage will fall down and cloud storage will be mainstream in future because of explosive demand for storage and ultrafast telecommunication by 5G. SSD and tape will be segregated. MORESCO developed HD lube for next generation's drive and is shipping. The amount of shipment will be expected to increase after 2020.



Next generation's recording is by laser heating. Development of High temperature HD lube.

**Near line drive**

Former 4TB has 4 platters

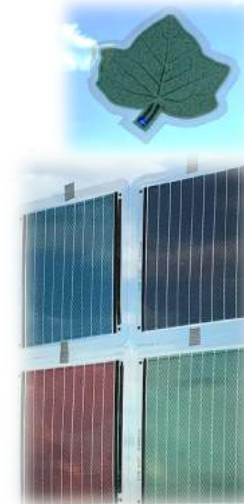
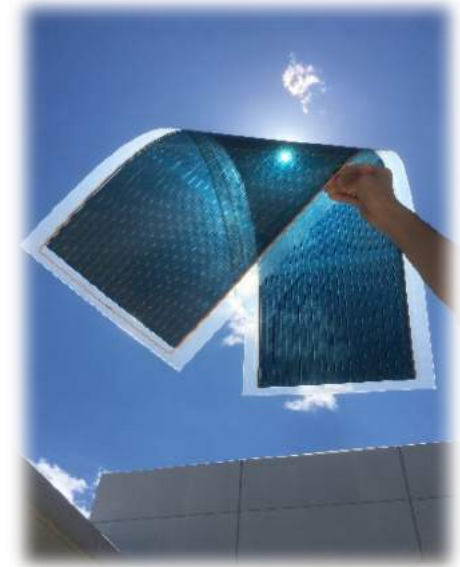


Latest 16TB has 8 platters (capacity 4 times, # of disks 2 times)

# Organic Photovoltaics (OPV)

MORESCO

**MORESCO-OPV Flexi** can be thin, light weight and easy to install production which is manufactured by the process of reducing  $\text{CO}_2$ . (roll-to-roll printing process)



- Flexible
- Light weight
- Non-silicon
- Double-sided power generation
- Many colors
- Free shape

## ① Medicine R&D

Structure optimization

Safety screening

Hit compound

Leading compound

To patent demand

Preclinical compound

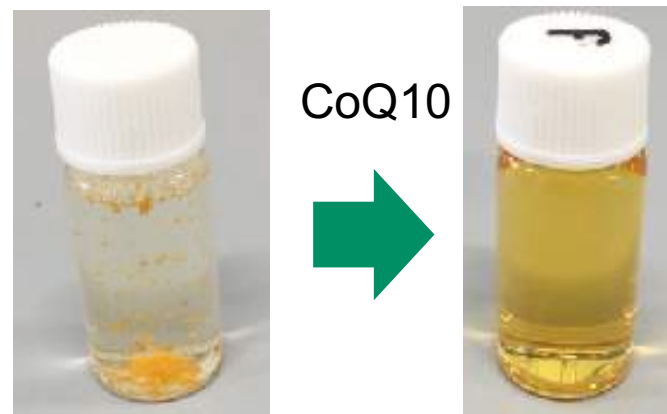
Collaboration with advanced academia



## ② Nano emulsion technology

Two patents about basic technology

Use for cosmetic material



Solubilization of non-water soluble active ingredient

Dispersion by Nano meter size

Improvement of absorbability

Anti-aging  
Whitening ingredient

## ➤ MORESCO HM&LUB INDIA PRIVATE LIMITED

- MORESCO HM&LUB INDIA started up in July, 2019. It produces and sells functional fluids and hot melt adhesive in India which economic growth is outstanding and its market is expanding rapidly.
- Mayor Hisamoto in Kobe City visited our Indian factory in January, 2020.



➤ MORESCO got an environmental award of Kobe City in 2018 which is evaluated the spread of environmentally friendly productions and cleaning activities around our Head Office every month.



**Organic  
Photovoltaics**



**Excel coating of  
HMA**



**Cleaning activities  
around our HO**

➤ Donation of assistive vehicle (FY2013~)



**Kobe in Feb.2020**



**Akoh in Feb.2020**



**Ichihara in Mar.2020**

## ➤ MORESCO Style “Work Style Reform”

MORESCO will aim at improvement of labor productivity by work process Innovation, promotion of various type of work and retirement reemployment system.

### Present activities

- Encouragement of paid vacation
- No meeting in august called “Happy August”
- Expansion of Flex-time system

### Issues to tackle

- Environmental improvement with IT
- RPA(robotic Process automation)



MORESCO was certified “the promotion company of work and life balance in Hyogo” from work and life center in Hyogo which was evaluated our workplace where we can work and act with comfort.

- Main Sales office and Plant (Page 10)
- Status of employees (Page 11)
- Main Financing Bank (Page 11)
- Shareholders Information (Page 12)
- Information on Company's Board members  
(Page 13 – 15)
- Information on Company's Accounting Auditors  
(Page 16)
- Organization for ensuring fair business practice  
(Page 17 – 21)

\*Details for above items are stated  
in the Notice of the 61st Annual Shareholders' Meeting

# MORESCO Corporation

Strives to glitter in the global market

## The 62nd Annual Shareholders' Meeting

(From Mar 1, 2019 to Feb 29, 2020)

Tokyo Stock Exchange 1st section 5018 (Petroleum and Coal products)

May 26, 2020

# **Agendum 1 (Page 4)**

## **【Disposal of Retained Earnings】**

# **Agendum 2 (Page 5 – 12)**

## **【Partial Amendment of the Articles of Incorporation】**

# **Agendum 3 (Page 13 – 17)**

## **【Election of Six Directors (Except Directors Who Are Audit and Supervisory Committee Members)】**

# **Agendum 4 (Page 18 – 20)**

## **【Election of Four Directors Who Are Audit and Supervisory Committee Members】**

# **Agendum 5 (Page 21)**

## **【Setting the Amount of Remuneration for Directors (Except Directors Who Are Audit and Supervisory Committee Members)】**

# **Agendum 6 (Page 21)**

## **【Setting the Amount of Remuneration for Directors Who Are Audit and Supervisory Committee Members】**

# **Agendum 7 (Page 21 – 22)**

## **【Determination of Remuneration for Directors (Except Directors Who Are Audit and Supervisory Committee Members and External Directors) for Granting of Shares with Restrictions on Transfer】**

## Head Office / R&D Center



Forecasts, strategic goals and other forward-looking information in this presentation are based on the judgements of MORESCO at the time this presentation was prepared. This information may be revised without prior notice.

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# MORESCO Corporation

May 26, 2020

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