

MORESCO Corporation

MORESCO Group delivers sustainable one-of-a-kind products

The 64th Ordinary General Meeting of Stockholders

(From Mar 1, 2021 to Feb 28, 2022)

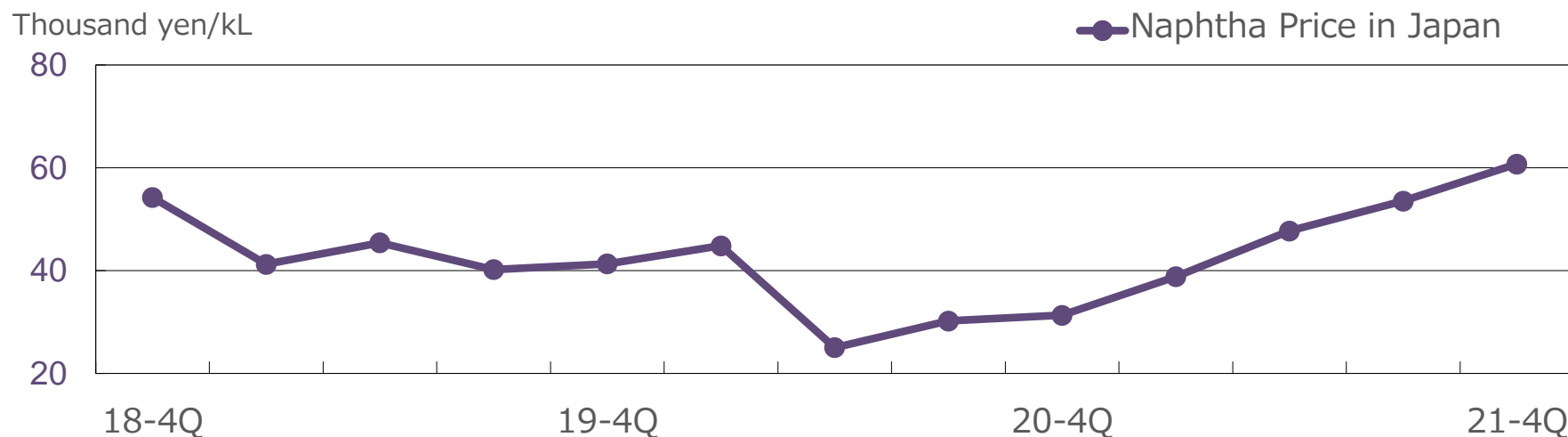
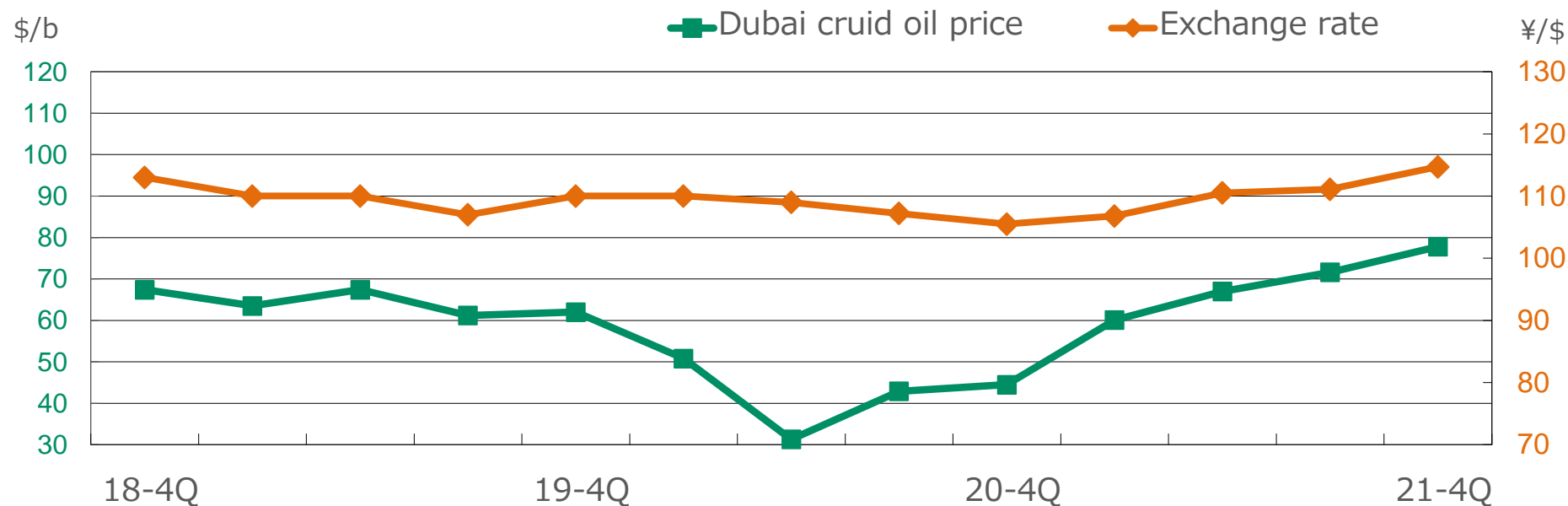
Tokyo Stock Exchange Prime Market 5018 (Petroleum and Coal Products)
May 27, 2022

The term 64th

Business Report & Consolidated Financial Result Report

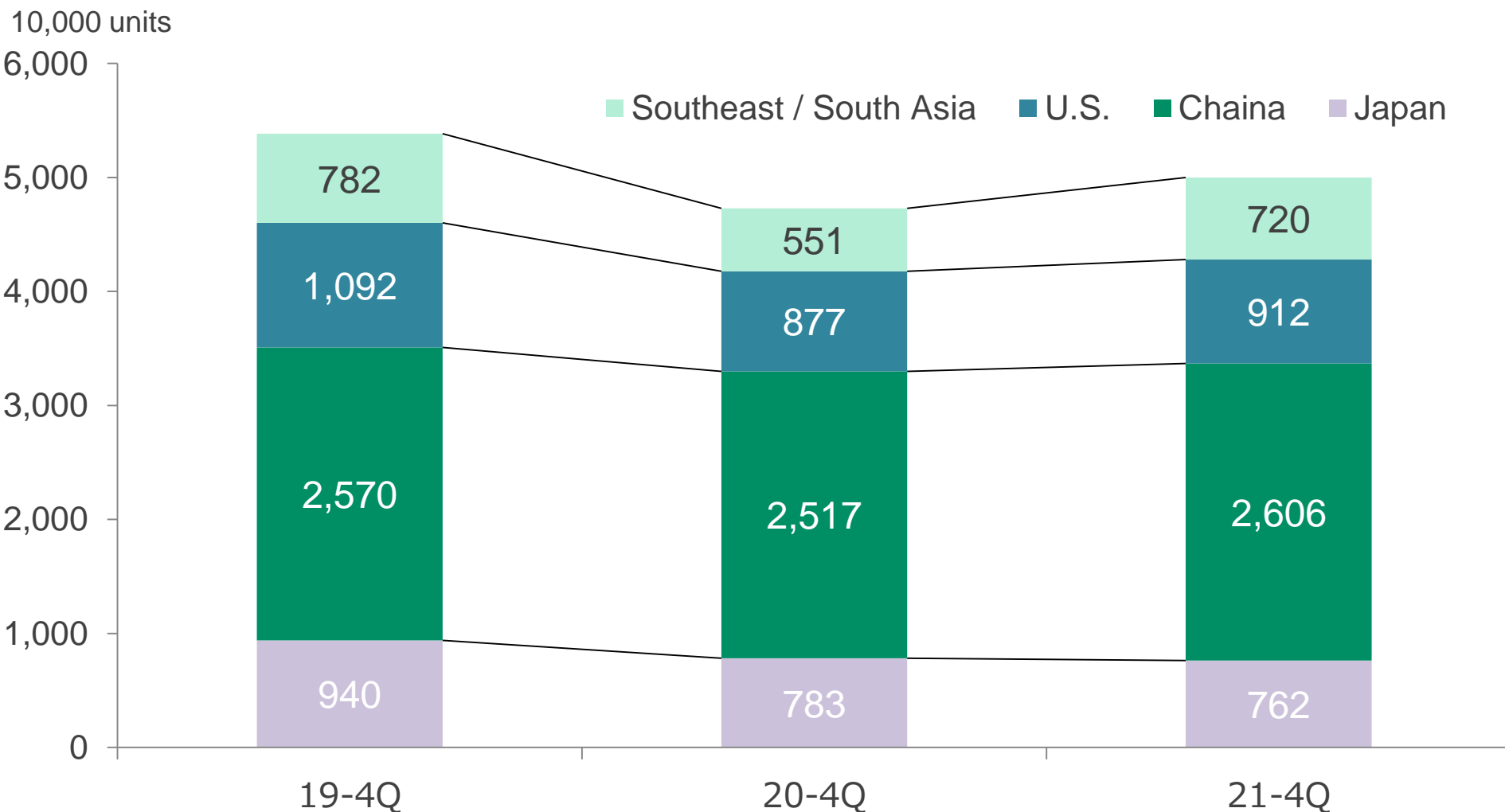
Business environment for the current period (1)

MORESCO



Car Production in The Area where Our Base is Located

Source: MarkLines Co., Ltd.



- Notes:
- ① Japan is from March to February, and overseas is from January to December.
 - ② Southeast / South Asia aggregates Thailand, Indonesia, and India.
(Location of our manufacturing and sales base)

Consolidated Income Statement

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- Increased sales due to recovery in automobile production and rising product selling prices, and recording of foreign exchange gains. Increase in non-operating income. Recorded gain on sale of real estate for rent as extraordinary profit.

Millions of yen

Account title	FY2020	FY2021	Year-on-year change
Net Sales	24,479	27,300	+11.5%
Gross Profit	7,838	8,725	+11.3%
Selling, General and Administrative Expenses	6,996	7,291	+4.2%
Operating Income	842	1,434	+70.3%
Non-operating profit & loss	187	577	+208.0%
Ordinary Income	1,030	2,011	+95.3%
Extraordinary profit & loss	△119	833	—
Income before Income Tax	911	2,844	+212.3%
Net Income *	518	1,808	+249.1%

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

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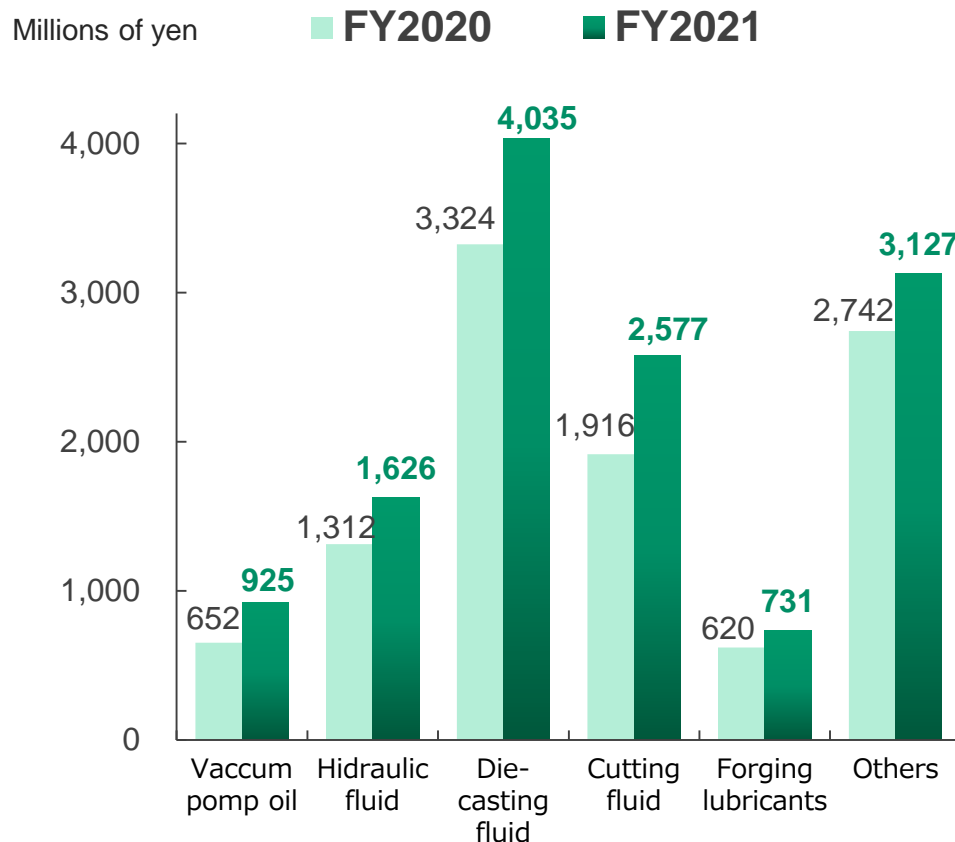
Breakdown of Sales by Division



Millions of yen

Account title	FY2020	FY2021	Year-on-year change
Functional Fluids	10,566	13,021	+23.2%
Synthetic Lubricants	1,872	1,974	+5.5%
(HD Surface Lub)	869	678	△21.9%
Liquid Paraffin & Sulfonates	3,385	3,480	+2.8%
Hot Melt Adhesive	6,807	6,785	△0.3%
Other	1,795	2,031	+13.1%
Chemical Products TTL	24,425	27,292	+11.7%
Rental Building Business	53	8	△84.2%
Total Net Sales	24,479	27,300	+11.5%

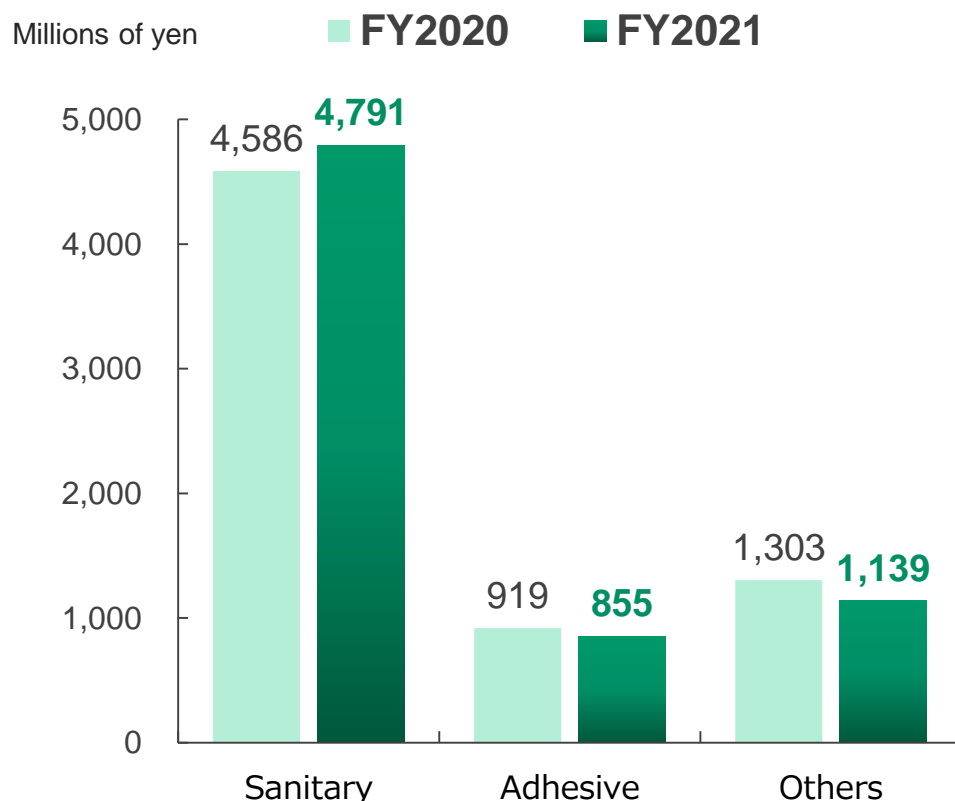
- **Sales increased by 23.2% year-on-year (13,021 million yen)**
Sales volume increased by 17.0%



➤ General

- Sales increased overall due to the recovery trend in automobile production in each country and region.
- Sales of small-quantity die-cast mold release agents that contribute to improving customer productivity and reducing environmental impact are steadily increasing in Japan and overseas.
- Expansion of sales of cutting fluids is progressing.

- **Sales decreased by 0.3% year-on-year (6,785 million yen)**
Sales volume decreased by 1.5%



➤ **Sanitary**

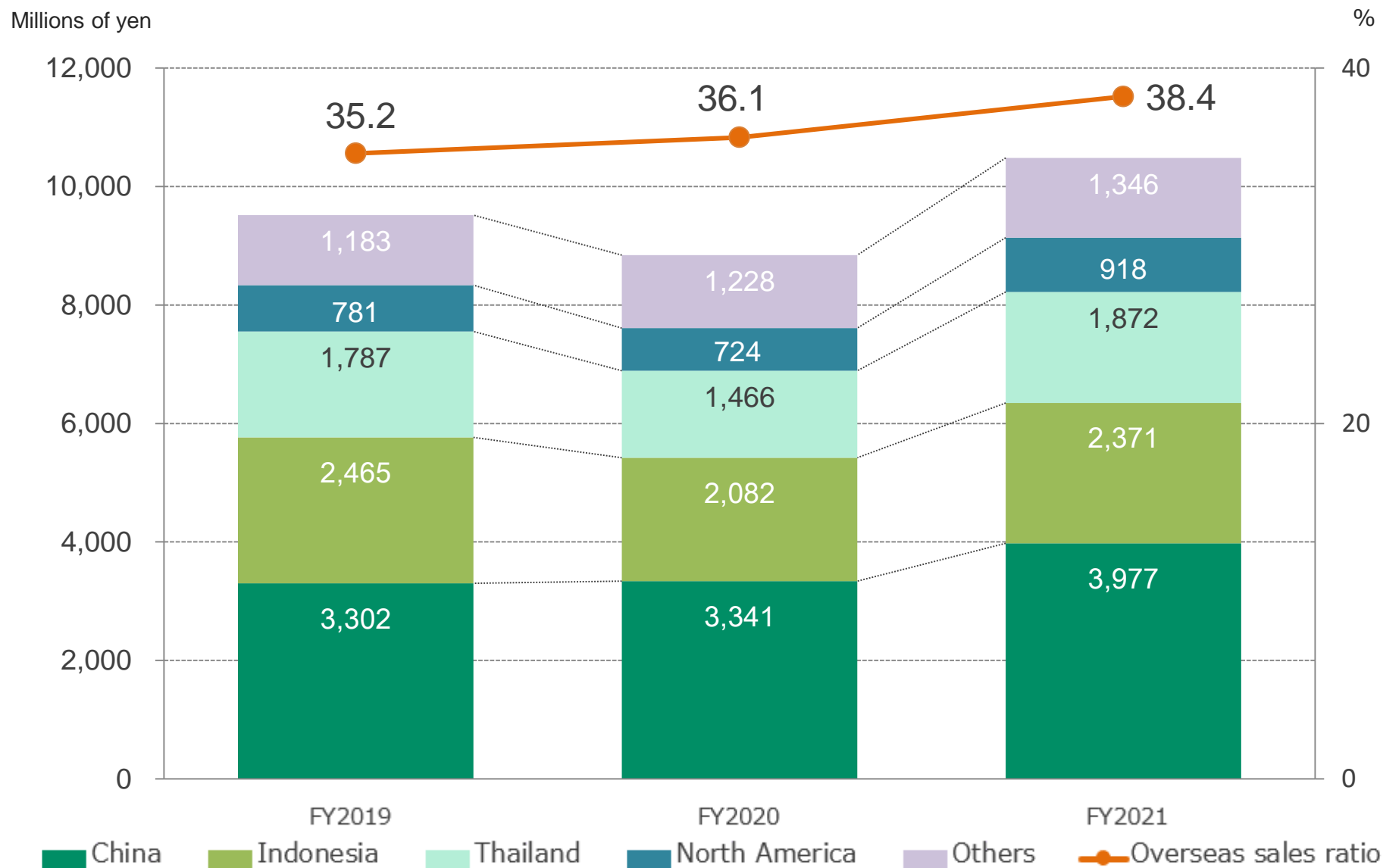
Although it decreased slightly in Japan, sales increased due to an increase in sales in India.

➤ **Others**

In China, the use of filters for air purifiers decreased in reaction to the strong performance in the previous fiscal year.

Overseas Sales (Consolidated)

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Consolidated Income Statement



Millions of yen

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Selling, General and Administrative Expenses



Millions of yen

	FY2020	FY2021	Increase / Decrease	Year-on-year change
Selling, General and Administrative Expenses (include R&D Expenses)	6,996	7,291	+295	+4.2%
R&D Expenses	1,360	1,359	△1	△0.1%
SGA Ratio	28.6%	26.7%		
Ratio of R&D Expenses to Sales	5.6%	5.0%		

Consolidated Income Statement

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Millions of yen

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Consolidated Income Statement

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Balance Sheet (Consolidated)

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Millions of yen

Account title	FY2021	Increase/ Decrease	Account title	FY2021	Increase/ Decrease
Cash & Deposit	4,001	△107	Trade Payable	4,308	333
Notes and Accounts Receivable-trade	6,844	200	Interests bearing debt (Current)	910	△2,409
Inventories	5,326	1,085	Other Current Liabilities	2,393	790
Other	436	125	Other Noncurrent Liabilities	847	198
Current Assets	16,607	1,303	Total Liabilities	8,457	△1,088
Property, Plant and Equipment	8,304	△215	Capital Stock ・ Capital Surplus	4,094	△0
Intangible Assets	633	△159	Retained Earnings	13,517	1,386
Investments and Others	3,465	372	Treasury Stock	△384	5
Fixed Assets	12,401	△2	Accumulated Other Comprehensive Income	735	672
			Non-Controlling Interest	2,589	326
			Total Net Assets	20,551	2,389
Total Assets	29,008	1,301	Total Liability & Assets	29,008	1,301

Note: Increase / Decrease vs. FY2020

Capital Investment ・ Depreciation

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Millions of yen

Account title	FY2020	FY2021	Increase / Decrease
Total Capital Investment	725	1,279	+554
MORESCO	474	340	△133
Consolidated Subsidiary	251	939	+688
Depreciation	1,328	1,210	△118

➤ Major Capital Investment (acquisition base)

Ethylene Chemical CO., LTD.

- Renewal of wastewater treatment equipment and utility equipment
- Office building (under construction)

Interest-bearing Debt

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Millions of yen

Account title	FY2020	FY2021	Increase / Decrease
Short-term Borrowing *	2,544	560	△1,984
Long-term Borrowing	775	350	△425
Total Borrowing	3,319	910	△2,409

Interest-bearing Debt Ratio	12.0%	3.1%
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* Includes long-term loans payable within one year.

	FY2020	FY2021
Per Share		
Net Income	54.09yen	192.76yen
Net Asset	1,695.81yen	1,914.94yen
Return on Equity (ROE)	3.3%	10.7%
Return on Asset (ROA)	1.9%	6.4%
Ordinary Income Ratio	4.2%	7.4%
The Number of Stockholders at the end of the year	16,604	16,356

	FY2020	FY2021
Consolidated Net Income	518 million yen	1,808 million yen
Cash Dividend	378 million yen	375 million yen
Dividend per Share	40yen	40yen*
Dividend Payout Ratio (Note)	74.0%	20.8%

* To be confirmed at the Stockholders' Meeting

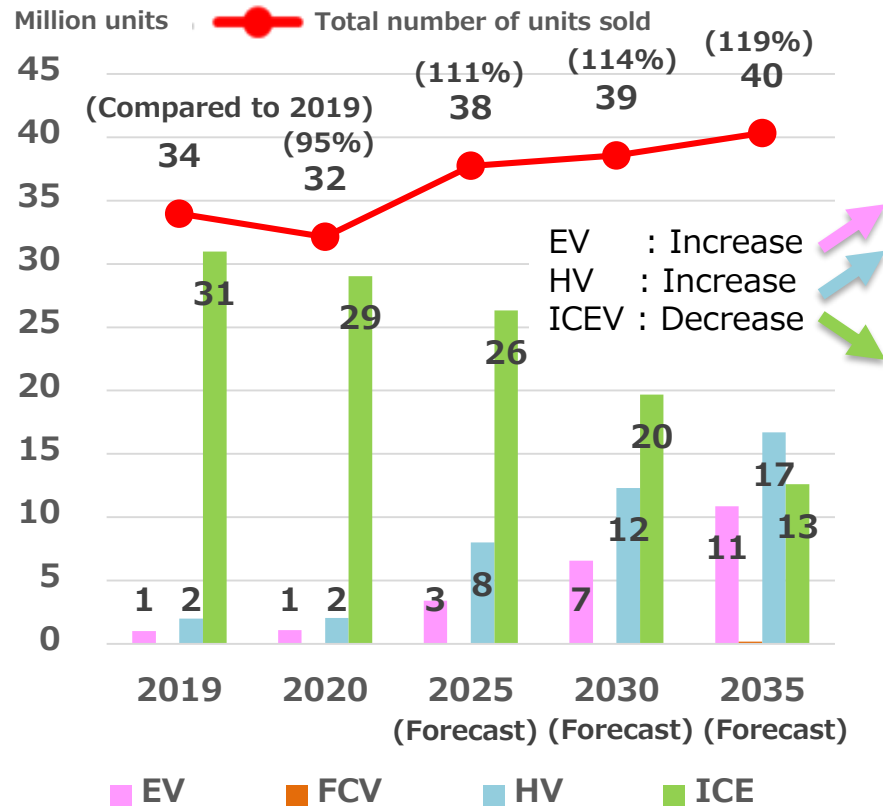
Note: Dividend Payout Ratio=Dividend per Share / Net Income per Share

Medium-Term Management Plan

Automobile Market Forecast and its impact MORESCO

➤ Auto sales forecast and impact on our products

Auto sales results / Forecast by power source
(Japan, China, ASEAN・South Asia)



Source: Fuji Keizai Co., Ltd.
2021 version HEV, EV related market thorough analysis survey

Changes in the amount of our products used (If 2019 is 1.0)

【 Car sales forecast by power source 】 (Left forecast)

×
【 Our products usage ratio by power source 】
(Internal Estimate)



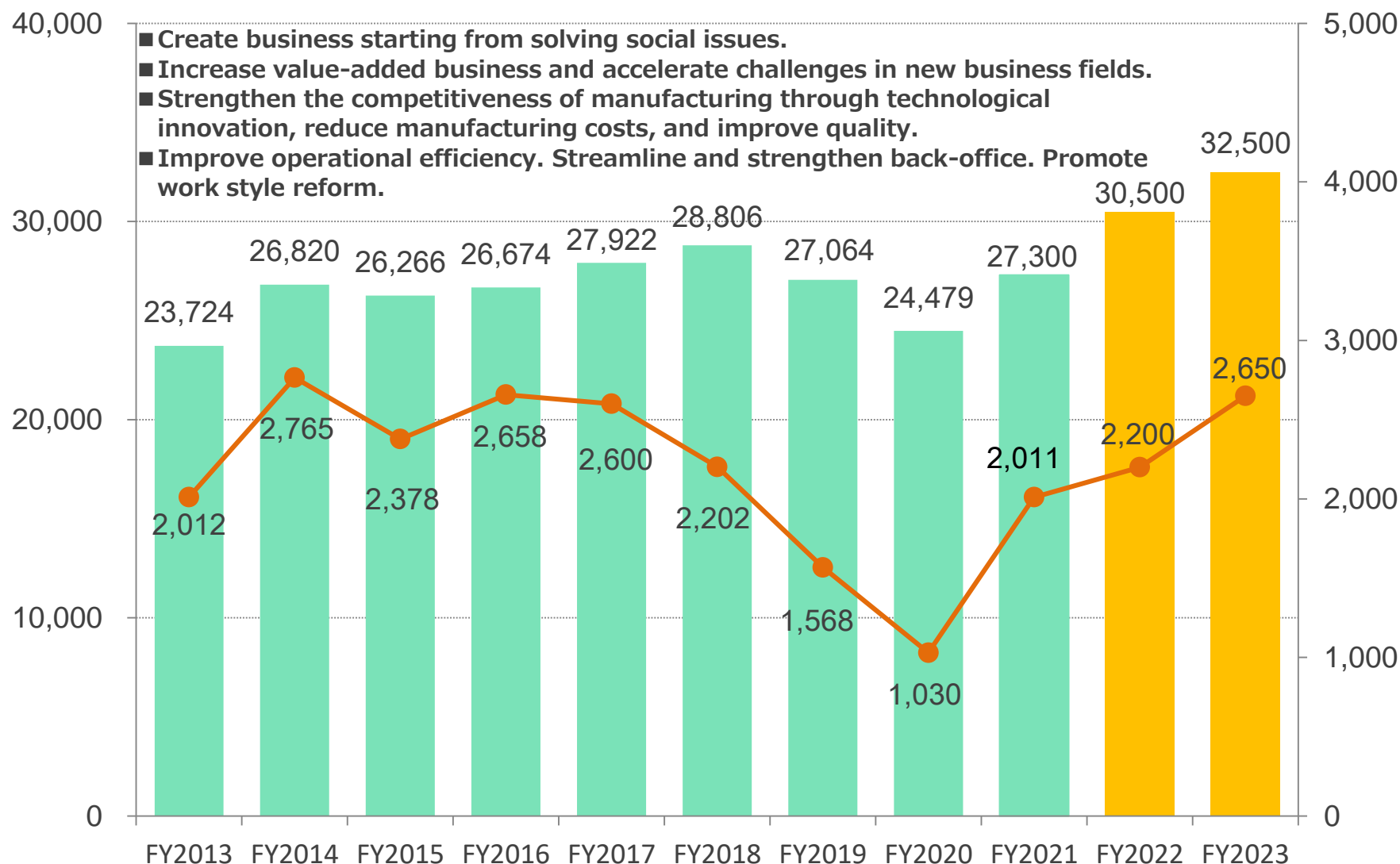
	DC・Cutting fluid, etc.	Hot melt
2019	1.00	1.00
2020	0.95	0.95
2025	1.10	1.11
2030	1.10	1.14
2035	1.13	1.19

- Overall auto sales are on the rise towards 2035.
- Sales of ICEV are on a downward trend.
- On the contrary, Sales of EV and HV are on the rise.
- The amount of Die casting lubricants, Cutting fluid, Hot melt, etc. used is on the rise toward 2035 (calculation results above).

Business Results and 9th Medium-Term Management Plan

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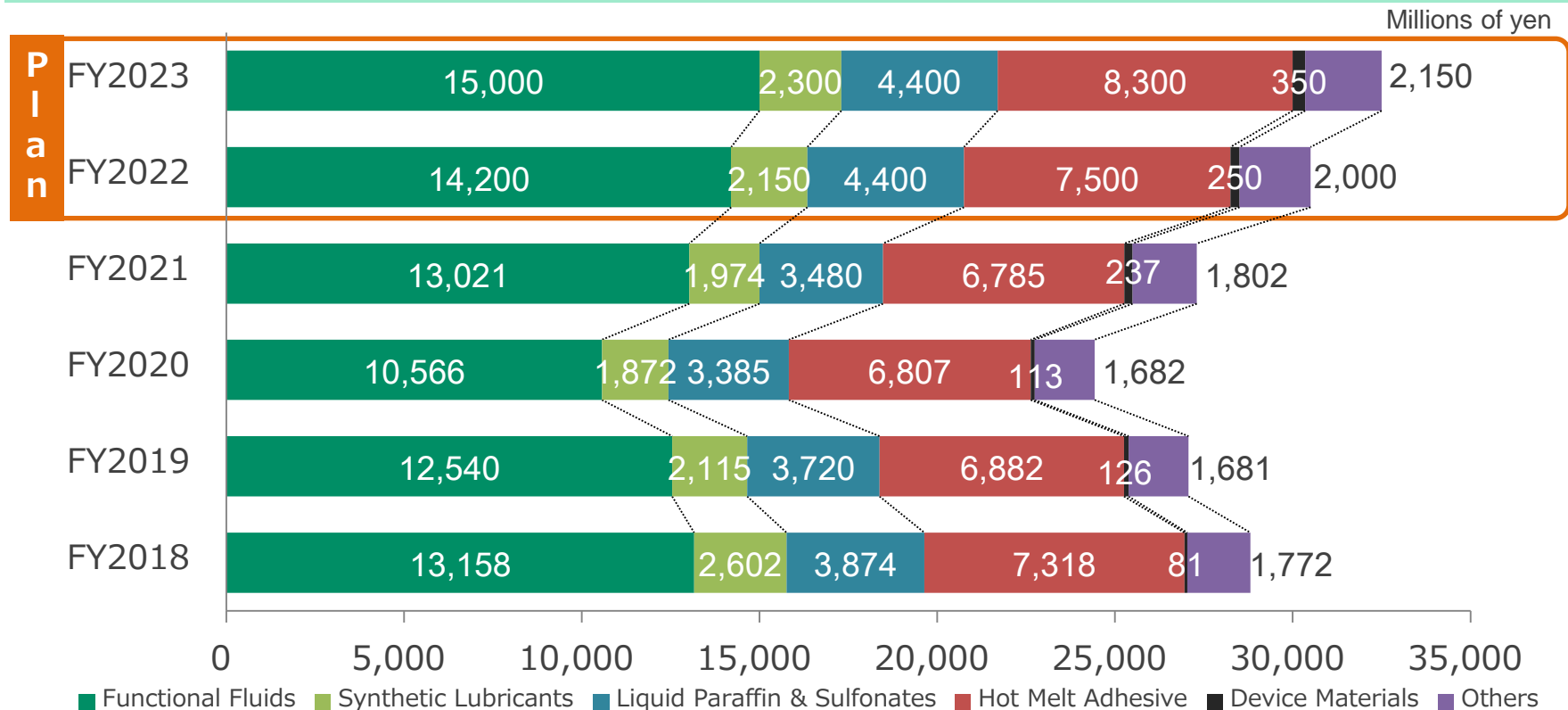
■ 14/2 to 22/2 term sales ■ 23/2 to 24/2 term sales (plan) ● Ordinary income Millions of yen



Medium-Term Plan and Sales by Division (Consolidated)



- **Functional Fluids** : Expand sales of water-soluble minimum quantity spray type lubricant, increase market share of cutting fluids and lubricant for hot forging.
- **Synthetic Lubricants** : Development of applications for high temperature lubricants, overseas expansion, development of surface lubricants for hard disk in next generation.
- **Hot Melt Adhesive** : Promote the development of environment-friendly products that meet customer needs, such as low odor and low VOC types.
- **Device Materials** : Accelerating overseas expansion of sealants for organic EL.
- **Development of Indian market.**
- **Creating new business in the life science field.**



Selection of new market category "Prime Market" MORESCO

Reason for selection

- By imposing high goal, we aim for further growth and contribution to society.
- Focus on dialogue with overseas investors more than ever.

Compliance with listing maintenance standards

- "Market capitalization of shares in circulation" is incompatible.
- Submit a conformity plan.

Conformity plan for listing maintenance standards

Planning period

- The end of FY2024 (end of February 2025)

Efforts to increase market capitalization of shares in circulation

- Steady achievement of the 9th Medium-Term Management Plan
- M & A and business alliances
- Proactive dissemination of information to investors

Criteria for maintaining listing on the prime market

Market capitalization of shares in circulation
10 billion yen



As of the transition reference date (June 30, 2021)

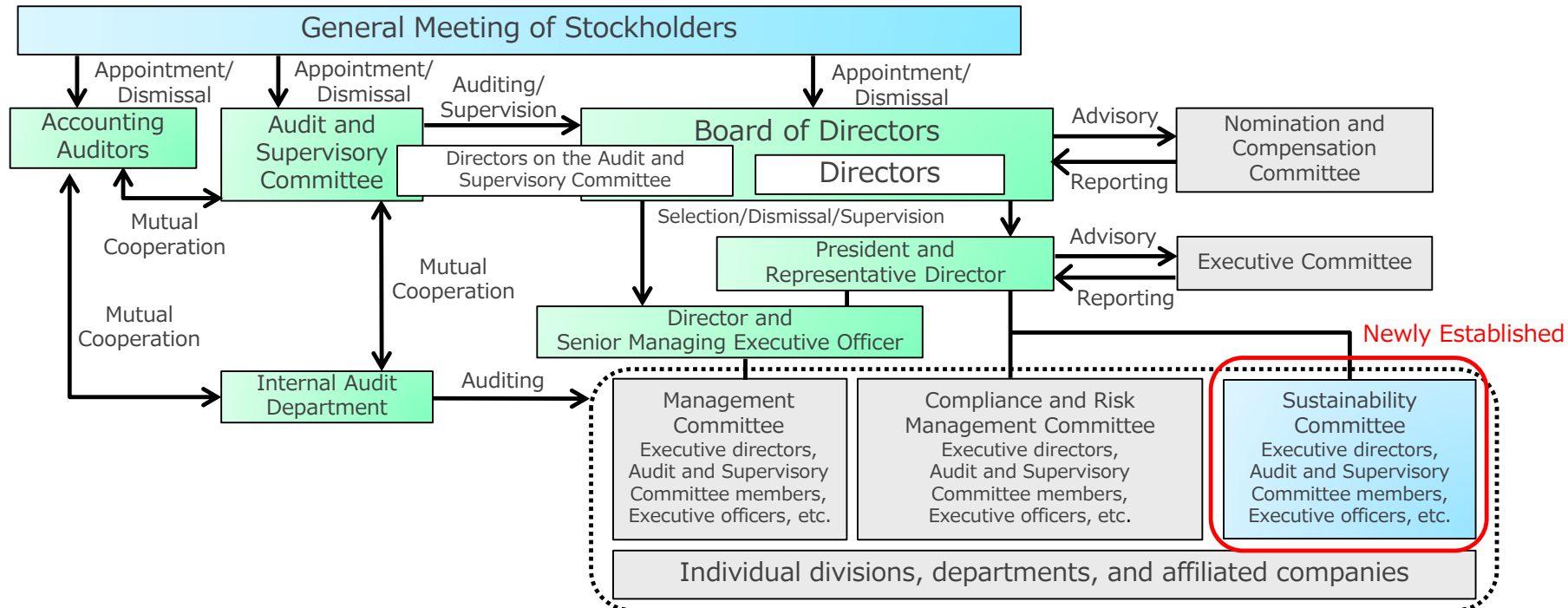
Market capitalization of shares in circulation
6.185 billion yen

Realization of a Sustainable Society

① Sustainability Policy

The MORESCO Group, as a specialist in the interface science stated in its management philosophy, will actively promote sustainability activities to further contribute to solving social and environmental issues. We strive to raise the trust of stakeholders by balancing the "realization of a sustainable society" and the "improvement of corporate value throughout the medium and long term" while operating business.

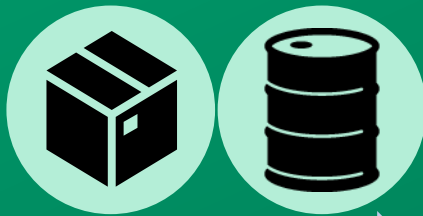
② Sustainability Promotion System



➤ Greenhouse gas reduction across the supply chain

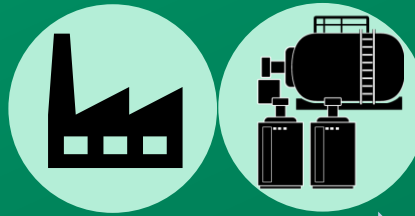
- By 2030, we aim to reduce GHG emissions by 46% from our own energy consumption (compared to 2013), grasp emissions in the entire supply chain, and achieve carbon neutrality by 2050.
* GHG...Greenhouse Gas

Purchase



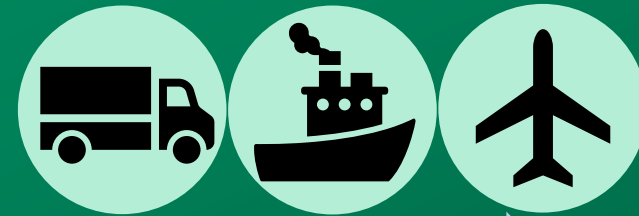
GHG emissions associated with the production of raw materials to purchase

Production



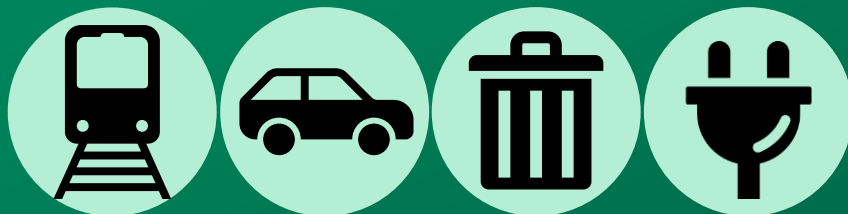
GHG emissions associated with the use of gas and heavy oil

Sale



GHG emissions associated with transportation to customers

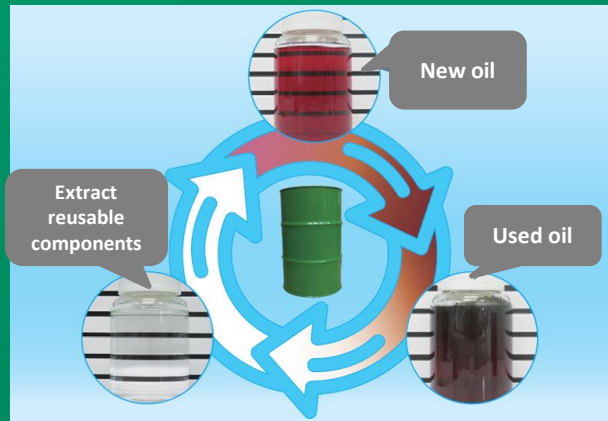
Whole Company



GHG emissions associated with transportation to customers

➤ Recycling of Functional Fluids

Water-glycol hydraulic fluid



Powder releasing agent



Water soluble cutting fluids



[Conventional efforts]

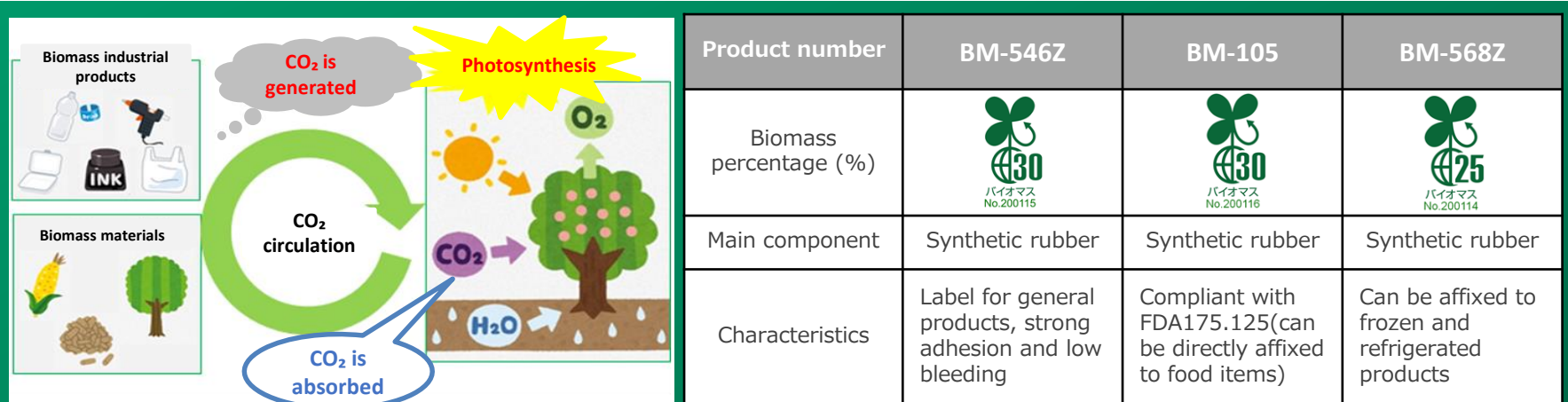
- Only non-deteriorated components are extracted from old Water-glycol hydraulic fluid and effectively used as raw materials for the product.

[Future efforts]

- Collect and recycle the used powder releasing agent.
- Expand the use of recycled raw materials as raw materials for lubricants.

➤ Hot Melt Adhesives that contain plant-based resin

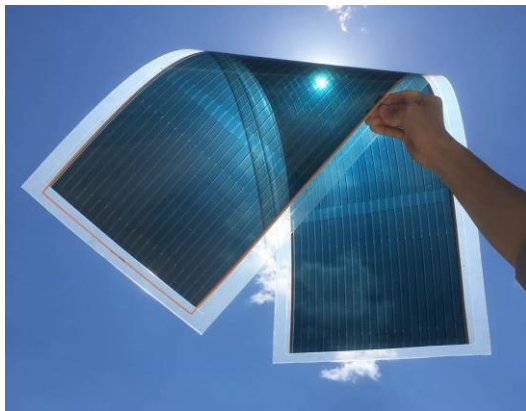
- Products made from biomass such as plants do not affect the increase or decrease of carbon dioxide even when burned (carbon neutral).



- Three hot melt adhesive product numbers have been certified as biomass mark products by the Japan Organics Recycling Association.
- We have also developed a hot-melt adhesive for sanitary products used in disposable diapers, etc., which contains 20-40% of plant-derived resin.

➤ Organic Photovoltaics (OPV)

- OPV is a more eco-friendly solar cell because it generates about 1/5 of CO₂ during production compared to silicon solar cells.
- Currently, we are the only company in Japan that manufactures OPV modules for continuous printing.



Flexible OPV module



OPV is installed in the office of a commercial building.



Designing by printing on the OPV surface

Free design is given by laser technology that can handle continuous film.
Various designs are given by printing on the OPV surface.

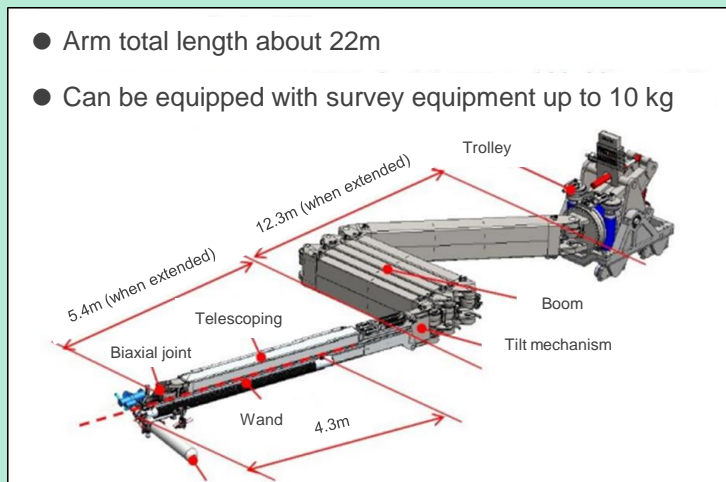
→It contributes to the realization of a low-carbon society by obtaining electricity more closely.

➤ Radiation resistant lubricants

- Demonstrates stable lubrication performance for a long period of time in nuclear facilities.

NEW The first step in the decommissioning of the Fukushima Daiichi Nuclear Power Station, the world's highest level radiation-resistant lubricants "MORESCO-HIRAD" was installed in all drive parts of the fuel debris * extraction equipment.

- A nuclear fuel rod in a furnace that melts and falls during an accident and then cools and resolidifies. It emits the highest radioactive rays in the residue.



Robot arm (= arm type access device)

Source: International Research Institute for Nuclear Decommissioning

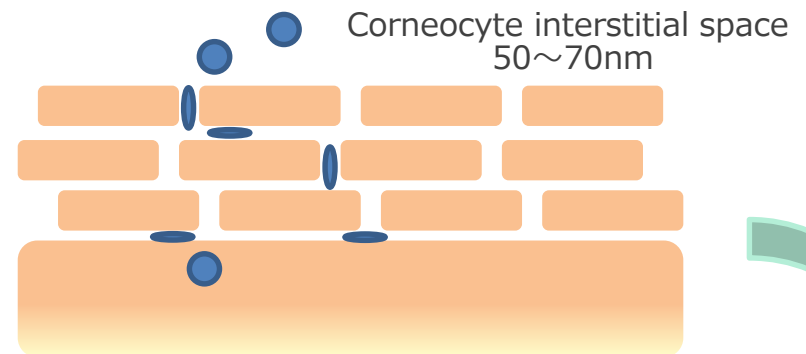
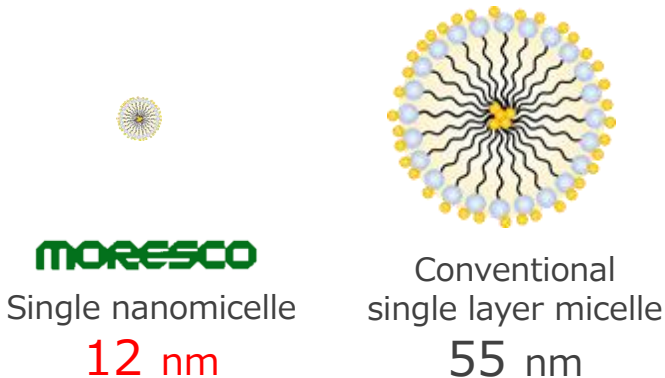
- Radiation generated in nuclear reactors accelerates the deterioration of lubricants used in their peripheral equipment (evaporation / solidification).
- In order to operate the equipment continuously, a lubricant with extremely high radiation resistance is required.

MORESCO's radiation-resistant lubricants plays an important role and contributes to the decommissioning of the Fukushima nuclear power station.

New Products • New Business

➤ Nanoemulsion Technology

Dissolves functional materials in a much smaller size than before.



Nano-sized emulsification greatly improves the oral / transdermal absorption rate of poorly water-soluble drugs.



A major healthcare company, progressing evaluation toward adoption in lotion.

➤ Joint research and development aimed at drug discovery

Promote joint research and development by investing in AutoPhagyGO Inc., a university-based start-up company.

Promote drug discovery activities targeting autophagy, which is expected to improve lifestyle-related diseases.

Obtained an important compound with improved pharmacological activity.

The first patent application is scheduled for 2022.



Autophagy research is research that leads to the prevention and treatment of various phenomena and diseases related to aging.

Promote joint research and development of new allergy treatments with Ehime University.

This new medication is expected to be effective in treating a wide range of allergy diseases, such as bronchial asthma and allergic rhinitis.

We are developing synthetic compounds with the aim of acquiring compounds with activity, water absorption, and safety.



愛媛大学大学院医学系研究科
愛媛大学医学部



➤ Established a subsidiary in Haining City, China



Overview of the subsidiary

Name: 莫莱斯柯（浙江）功能材料有限公司

Business contents: Development, manufacture, sale and import / export of lubricants and sealant

Capital: US \$ 12,000,000

Capital structure: Wholly-owned subsidiary

Purpose of establishment / future prospects

- ①Improvement of production capacity and production efficiency by consolidating functional fluids production bases.
- ②Improving operational efficiency by supervising the management department of a Chinese subsidiary.
- ③Development of products that contribute to reducing the environmental burden by strengthening the R&D system.

➤ MORESCO were certified as Health Management Excellent Corporation 2022 (Large-scale Corporate Division).



"Health and productivity Management" ... The company thinks about the health management of employees from a management perspective and puts it into practice strategically.

—— MORESCO Health Management Declaration ——

MORESCO believes that physical and mental health of employees is essential to the sustainable development of the company. In order to make **"a company where everyone can grow in a rich environment and cultivate new value"** a reality, we are promoting the development of employee health.

- This is a system that recognizes corporations that are practicing particularly good health management. (Ministry of Economy, Trade and Industry)

- Issues to be addressed (P.11-12)
 - Main sales offices and Plants (P.12-13)
 - Employee status (P.13)
 - Main financing bank (P.13)
 - Stock status (P.14)
 - Information on the directors (P.15-20)
 - Information on the accounting auditor (P.21)
 - System to ensure the appropriateness of business (P.22-26)
- Details for above items are stated in the Notice of the 64th Ordinary General Meeting of Stockholders.

MORESCO Corporation

MORESCO Group delivers sustainable one-of-a-kind products

The 64th Ordinary General Meeting of Stockholders

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Tokyo Stock Exchange Prime Market 5018 (Petroleum and Coal Products)
May 27, 2022

Agendum 1. Disposal of Retained Earnings (P.40)

- 1 . Year-end dividend
20 yen per share of the Company's common stock Total amount of dividends: 187,598,600 yen
(The annual dividend will be 40 yen per share)
- 2 . Disposal of other retained earnings
From the retained earnings brought forward,
500,000,000 yen will be separately accumulated
in the general reserve.

Agendum 2. Partial Amendment of the Articles of Incorporation (P.41-42)

Amendments to the Articles of Incorporation in preparation for the introduction of an electronic provision system for materials for general meetings of stockholders.

- (1) Paragraph 1 of the amendment draft Article 12 (Electronic provision, etc.) will stipulate that information contained in the Reference Materials for the General Meeting of Stockholders, etc. shall be provided electronically.
- (2) Paragraph 2 of the amendment draft Article 12 (Electronic provision, etc.) will establish a provision to limit the scope of the matters to be included in documents that are to be delivered to stockholders who make a request for the delivery of information in writing.
- (3) Since Article 12 (Disclosure via the Internet of Reference Materials for the General Meeting of stockholders, etc. and their deemed provision) of the current Articles of Incorporation will become unnecessary, it is to be deleted.
- (4) In conjunction with the amendments (1), (2) and (3) above, supplementary provisions regarding the effective date, etc. will be established.

Agendum 3. Election of Five Directors (except Directors who are Audit and Supervisory Committee Members) (P.43-48)

The candidates

Motohisa Morozumi
Nobuhiro Sewaki
Yasuo Sakane
Hirofumi Fujimoto
Hiroko Fuji

Agendum 4. Election of Four Directors Who Are Audit and Supervisory Committee Members (P.49-52)

The candidates

Mikio Honda
Kazuo Machigaki
Mikio Nakajo
Hidetoshi Nakatsuka

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Motohisa Morozumi
Nobuhiro Sewaki
Yasuo Sakane
Hirofumi Fujimoto
Hiroko Fuji

Mikio Honda
Kazuo Machigaki
Mikio Nakajo
Hidetoshi Nakatsuka



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MORESCO Corporation

May 27, 2022

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