

MORESCO Corporation

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

The 65th Ordinary General Meeting of Shareholders

(From Mar 1, 2022 to Feb 28, 2023)

Tokyo Stock Exchange Prime Market 5018 (Petroleum and Coal Products)
May 30, 2023

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02 Consolidated financial report

03 Choice of market segments

04 Progress of the 9th Medium-Term Management Plan

05 Growth strategy for realizing a sustainable society

**06 Proposals for the General Meeting of Shareholders
and Introduction of Directors**

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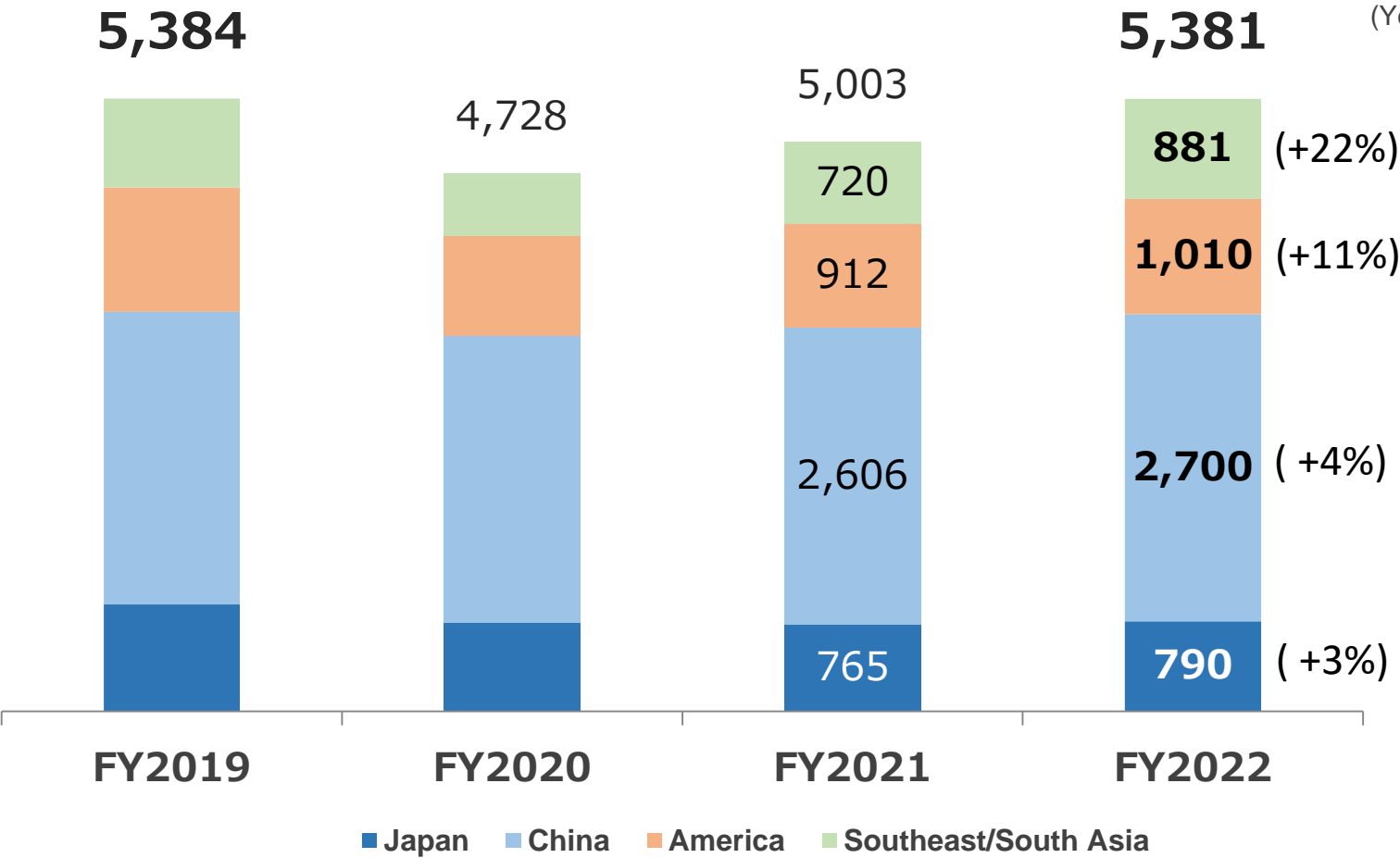
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Changes in the number of automobiles produced in areas where our bases are located

Unit: 10,000 units
(Year-on-year %)

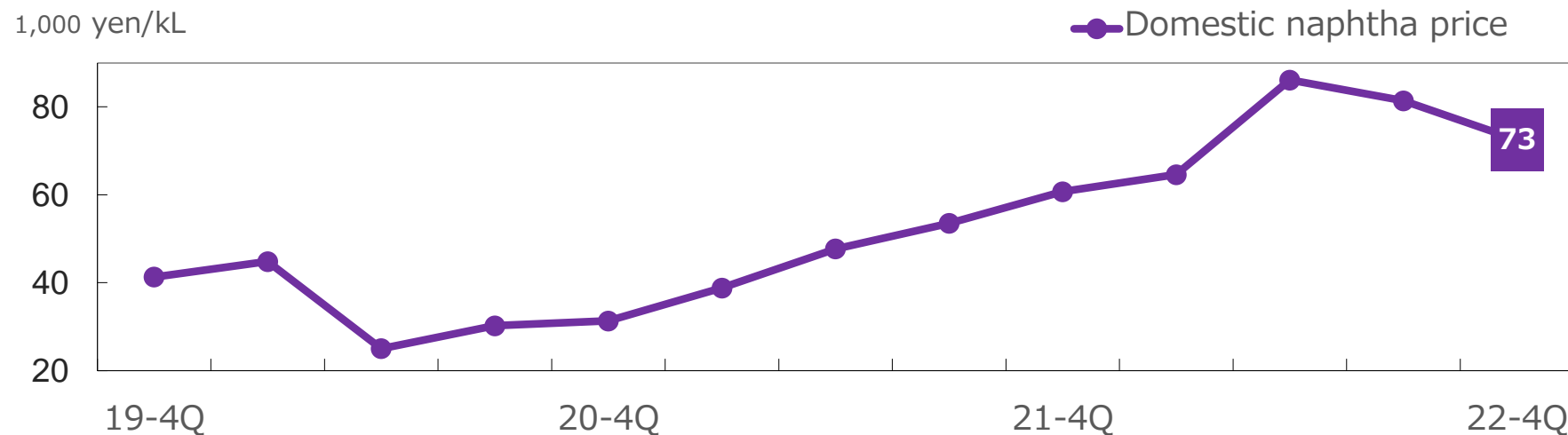
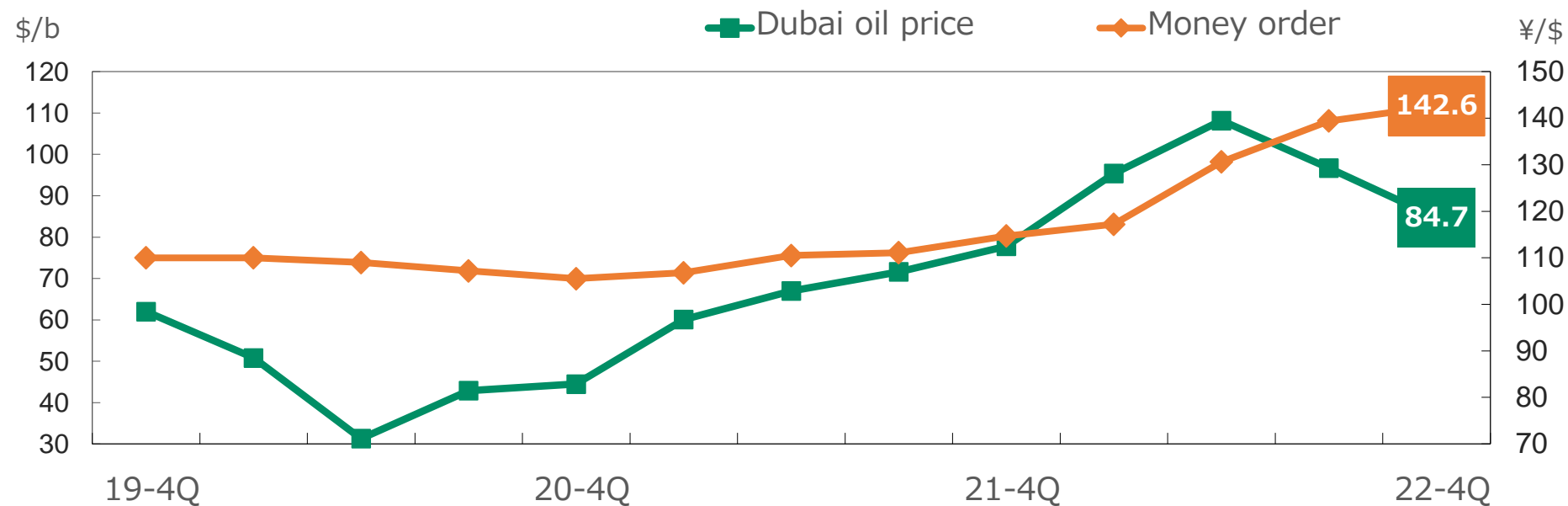


Source: Created in-house based on data published by MarkLines

Note 1: Aggregated data based on our fiscal year (Japan: March to February of the following year; Overseas: January to December)
Note 2: Southeast/South Asia counts only Thailand, Indonesia and India, which are our bases.

Current business environment

– Fluctuations in major raw material prices and standards



Consolidated income statement

MORESCO

[Revenue increase] Correction of product selling prices

[Decrease in profit] Soaring raw material prices

Unit : million yen	FY2021	FY2022	YoY
Net Sales	27,300	30,333	+11.1%
Gross Profit	8,725	8,129	▲6.8%
Selling, General and Administrative Expenses	7,291	7,606	+4.3%
Operating Income	1,434	523	▲63.5%
Non-operating profit & loss	577	523	▲9.3%
Ordinary Income	2,011	1,046	▲48.0%
Extraordinary profit & loss	833	—	—
Income before Income Tax	2,844	1,046	▲63.2%
Net Income *	1,808	615	▲66.0%

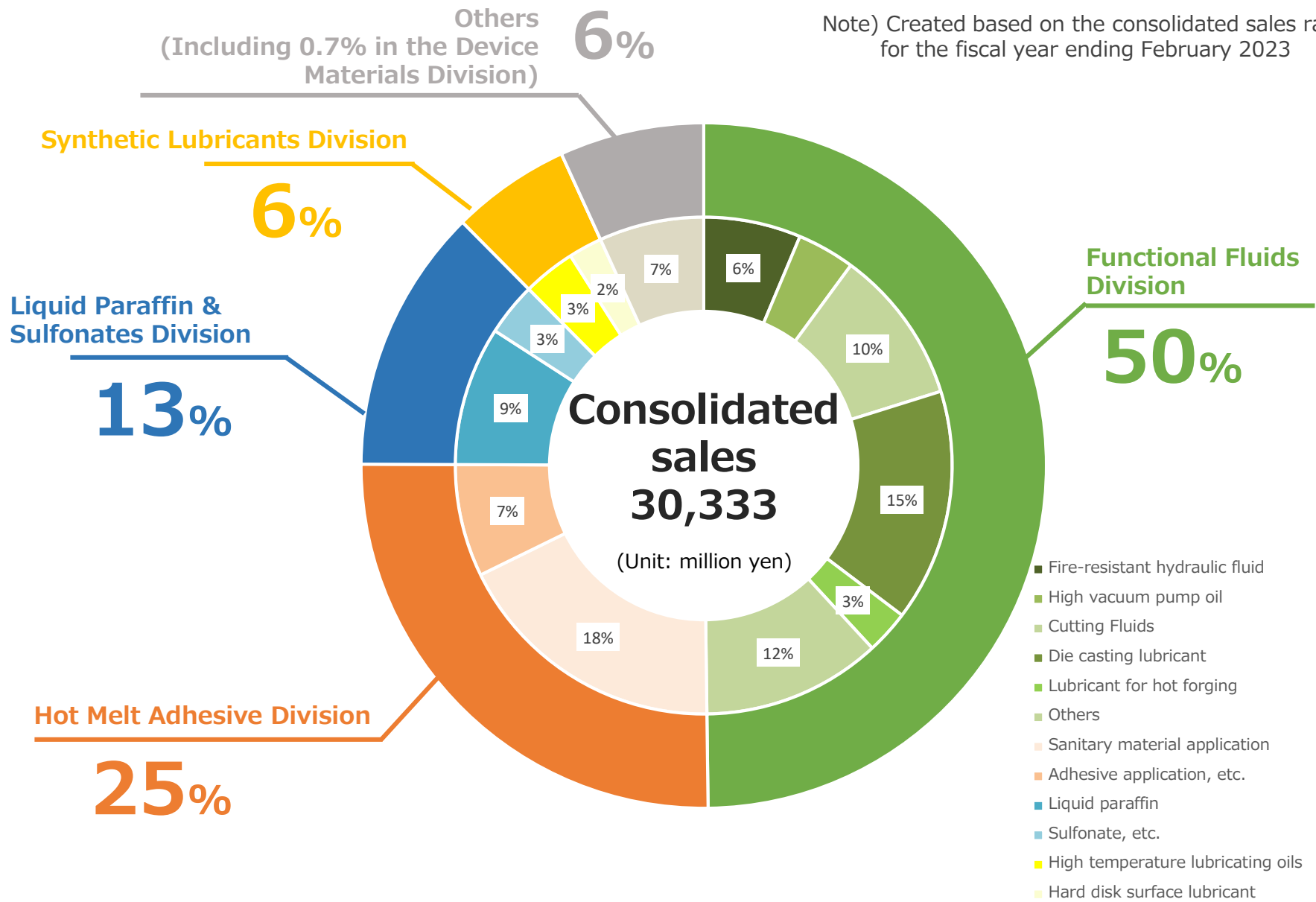
* Profit attributable to owners of parent, the same below

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Consolidated sales ratio by division



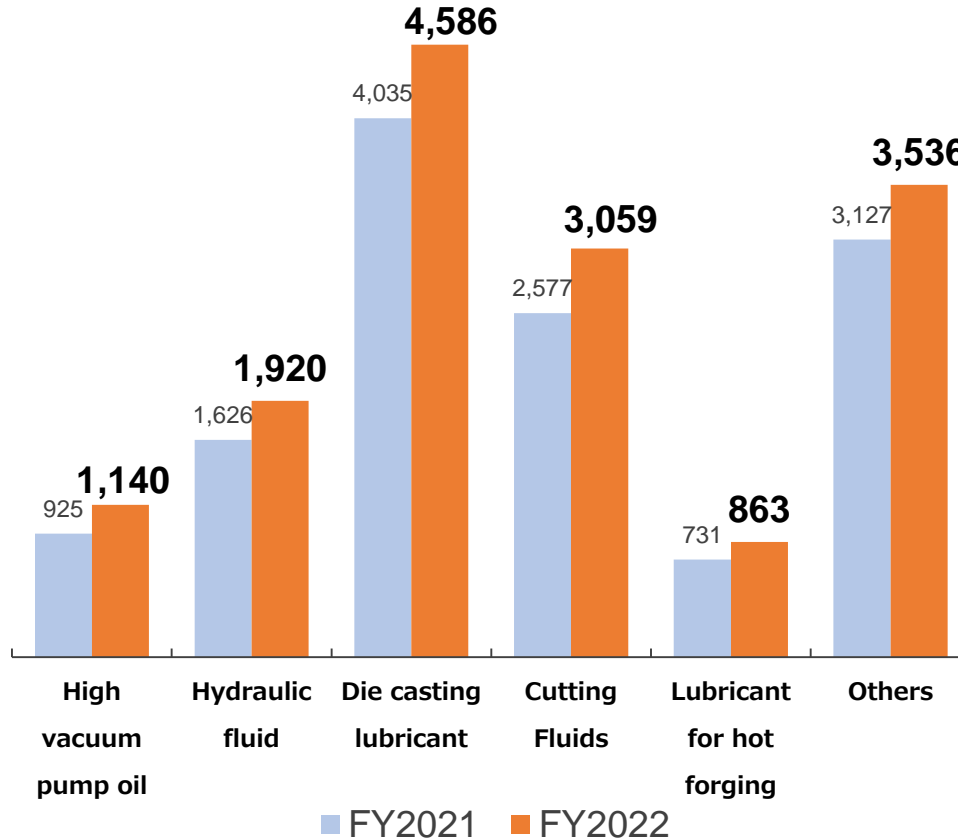
Note) Created based on the consolidated sales ratio for the fiscal year ending February 2023



[Sales] **16.0% increase** year on year (15,105 million yen)

[Sales volume] **1.0% decrease** year on year

Unit: million yen



➤ Japan

Decrease in sales volume due to decrease in automobile production volume by major customers

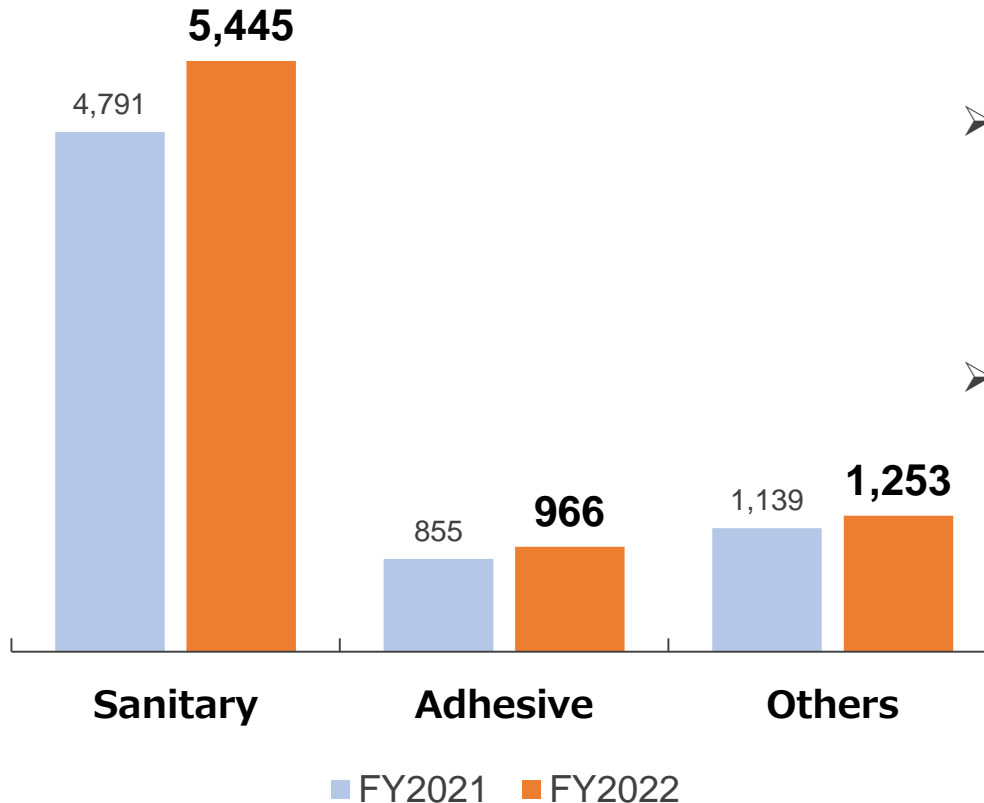
➤ Abroad

Southeast Asia: Market recovery from 2H onwards

China: Slight increase YoY

[Sales] **13.0% Increased** year on year (7,664 million yen)
[Sales volume] **3.3% Increased** year on year

Unit: million yen

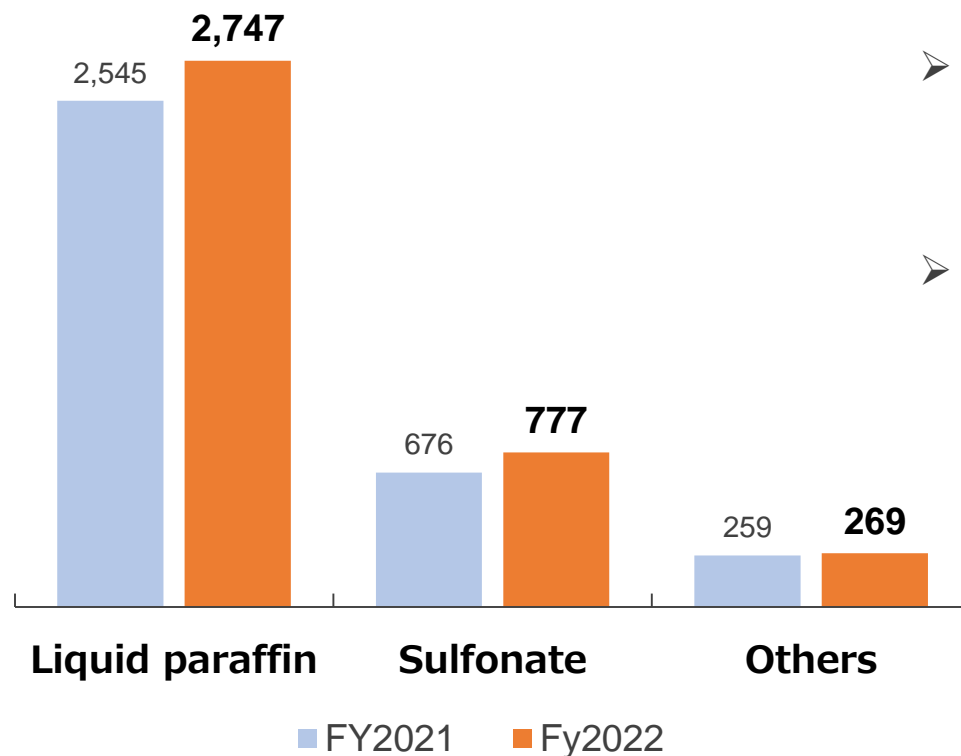


- **Japan**
Sales of sanitary material applications were firm, and sales of adhesive applications increased.
- **Abroad**
Increased sales in India and Indonesia.

[Sales] **9.0% increase** year on year (3,793 million yen)

[Sales volume] **9.3% decrease** year on year

Unit: million yen

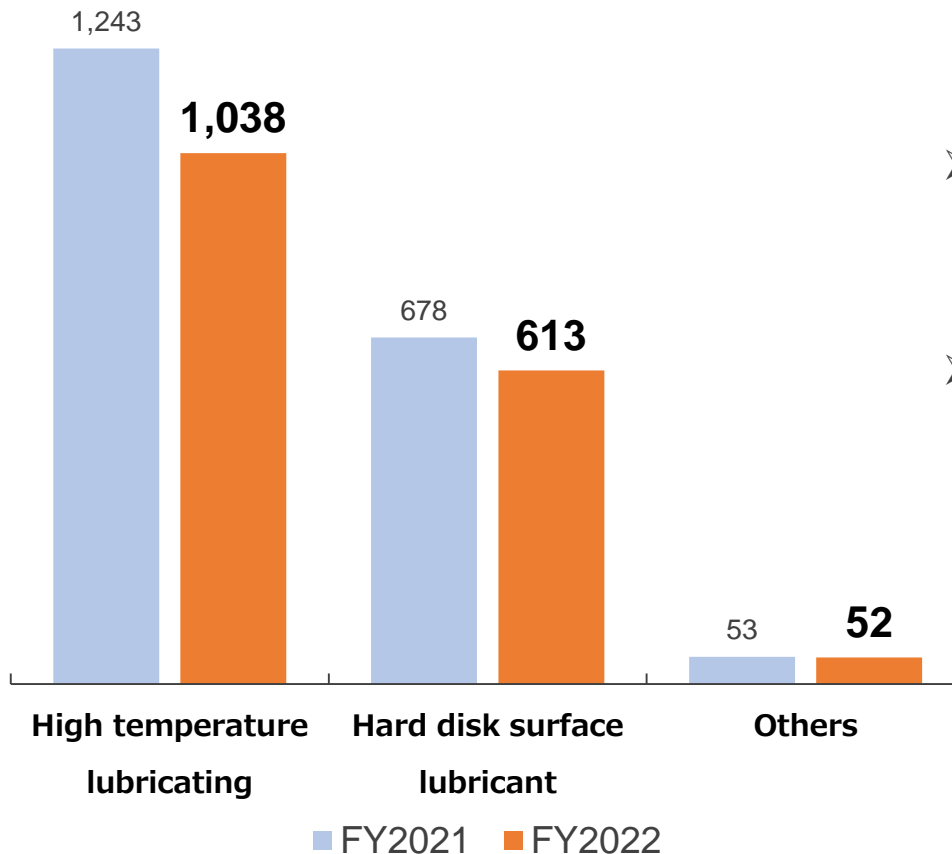


- **Liquid Paraffin**
Sales volume for polystyrene plasticizer applications decreased.
- **Sulfonates**
Volume decreased due to the impact of the decrease in automobile production volume by major domestic customers.

[Sales] **13.7% decrease** year on year (1,703 million yen)

[Sales volume] **22.9% decrease** year on year

Unit: million yen



- **High temperature**
Sales decreased due to inventory adjustments by customers.
- **Hard disc surface Lubricants**
Sales decreased due to the impact of sluggish data center investment.

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* Profit attributable to owners of parent, the same below

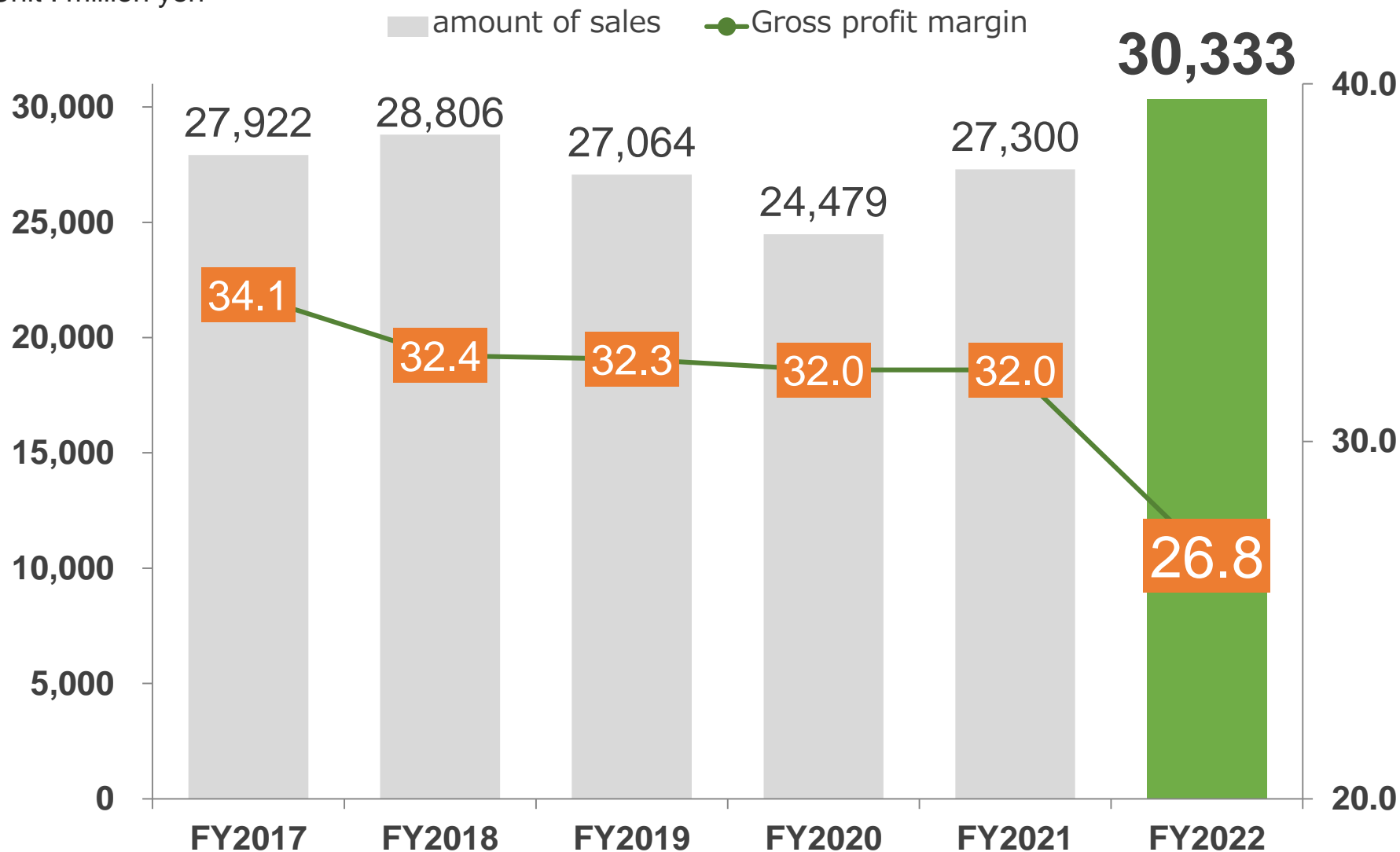
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Sales and Gross Profit Margin Trends

MORESCO

Unit : million yen

Unit : %



Consolidated income statement

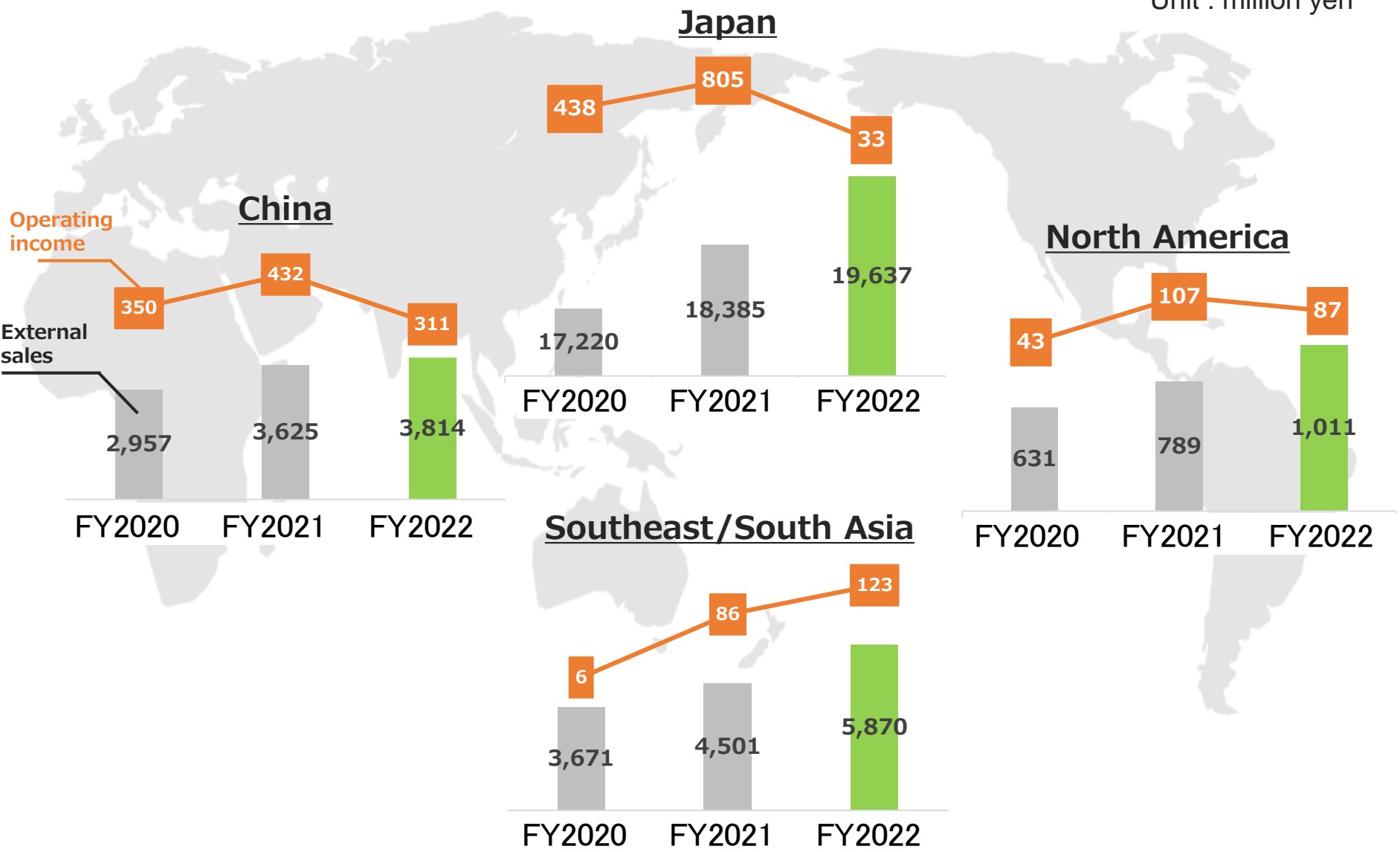
MORESCO

Unit : million yen	FY2021	FY2022	YoY	Increase/Decrease Factor/Breakdown
Net Sales	27,300	30,333	+11.1%	
Gross Profit	8,725	8,129	▲6.8%	
Selling, General and Administrative Expenses	7,291	7,606	+4.3%	(Factor) Increase in SG&A expenses for overseas subsidiaries due to yen depreciation
R&D expenses	1,359	1,246	▲8.3%	(Factor) Decrease due to organizational restructuring Excluding this impact, YoY +1.8%
Operating Income	1,434	523	▲63.5%	
Non-operating profit & loss	577	523	▲9.3%	(Breakdown) Exchange gain 295 million yen Equity-method subsidiary revenue 148 million yen
Ordinary Income	2,011	1,046	▲48.0%	
Extraordinary profit & loss	833	—	—	
Income before Income Tax	2,844	1,046	▲63.2%	
Net Income *	1,808	615	▲66.0%	

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Profit and loss by segment

Unit : million yen



Balance Sheet (Consolidated)

MORESCO

Unit : million yen	FY2022	Increase/ Decrease		FY2022	Increase/ Decrease
Cash & Deposit	4,256	255	Trade Payable	5,144	836
Notes and Accounts Receivable-trade	7,595	752	Interests bearing debt (Current)	2,853	1,943
Inventories	6,306	979	Other Current Liabilities	2,074	▲319
Other	653	217	Other Noncurrent Liabilities	707	▲140
Current Assets	18,810	2,203	Total Liabilities	10,778	2,321
Property, Plant and Equipment	8,610	307	Capital Stock • Capital Surplus	4,095	1
Intangible Assets	589	▲43	Retained Earnings	13,760	242
Investments and Others	4,008	543	Treasury Stock	△567	▲183
			Accumulated Other Comprehensive Income	1,246	511
			Non-Controlling Interest	2,706	117
Fixed Assets	13,207	806	Total Net Assets	21,240	688
Total Assets	32,017	3,009	Total Liability & Assets	32,017	3,009

Note) Increase/Decrease: Comparison with the end of Feb. 2022

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[Reasons for the increase] Increase in working capital due to increased sales, increase in new investments such as construction of new factories

Unit : million yen	FY2021	FY2022	Increase / Decrease
Short-term Borrowing *	560	2,381	+1,822
Long-term Borrowing	350	472	+122
Total Borrowing	910	2,853	+1,943

* Includes long-term loans payable within one year

Interest-bearing Debt Ratio	3.1%	8.9%
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Unit : million yen	FY2021	FY2022	Increase / Decrease
MORESCO	340	311	△29
Consolidated Subsidiary	939	1,007	+68
Total Capital Investment	1,279	1,318	+39
Depreciation	1,210	1,212	+2

FY2022 Major capital investment details (acquisition basis)

- MORESCO Renewal of production equipment
- MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD.
Construction of a functional fluids production plant (under construction)
- Ethylene Chemical CO., LTD. Office building (complete)

➤ Assumptions for the plan for the next fiscal year

Crude oil price: \$90/b Exchange rate: \$130/yen

Unit : million yen	FY2022	YoY	FY2023	YoY
Net Sales	30,333	+11.1%	34,500	+13.7%
Operating Income	523	△63.5%	1,400	+167.7%
Ordinary Income	1,046	△48.0%	1,600	+53.0%
Net Income	615	△66.0%	700	+13.8%

	FY2021 Results	FY2022 Results
Net income	1,808 million yen	615 million yen
Dividend amount	375 million yen	369 million yen
Dividend/Share	40 yen	40 yen*

*Determined at the general meeting

➤ Scheduled to increase dividend by 5 yen in FY2023

Dividend per share: 45 yen (including a commemorative dividend of 5 yen)

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➤ Resolved selection to standard market

2023 年 5 月 22 日

各 位

会 社 名 株式会社 **MORESCO**
代表者名 代表取締役社長 両 角 元 寿
(コード番号 5018 東証プライム)
問 合 せ 先 取締役上席執行役員 藤本博文
TEL 078 - 303 - 9220

「プライム市場」の上場維持基準への適合状況ならびに 「スタンダード市場」への選択申請および適合状況のお知らせ

当社は、2021 年 12 月 10 日に、プライム市場の上場維持基準のうち「流通株式時価総額」に適合していないことを受け、上場維持基準の適合に向けた計画書（以下「適合計画書」といいます。）を提出し、その内容について開示しております。2023 年 2 月 28 日時点におけるプライム市場の上場維持基準への適合状況および適合に向けた進捗について、下記のとおりお知らせいたします。

また、2023 年 4 月 1 日施行の株式会社東京証券取引所の規則改正に伴い、スタンダード市場への上場の再選択の機会が得られたことから、2023 年 5 月 22 日開催の取締役会で同市場への選択申請を行うことを決議し、申請いたしましたので、あわせてお知らせいたします。

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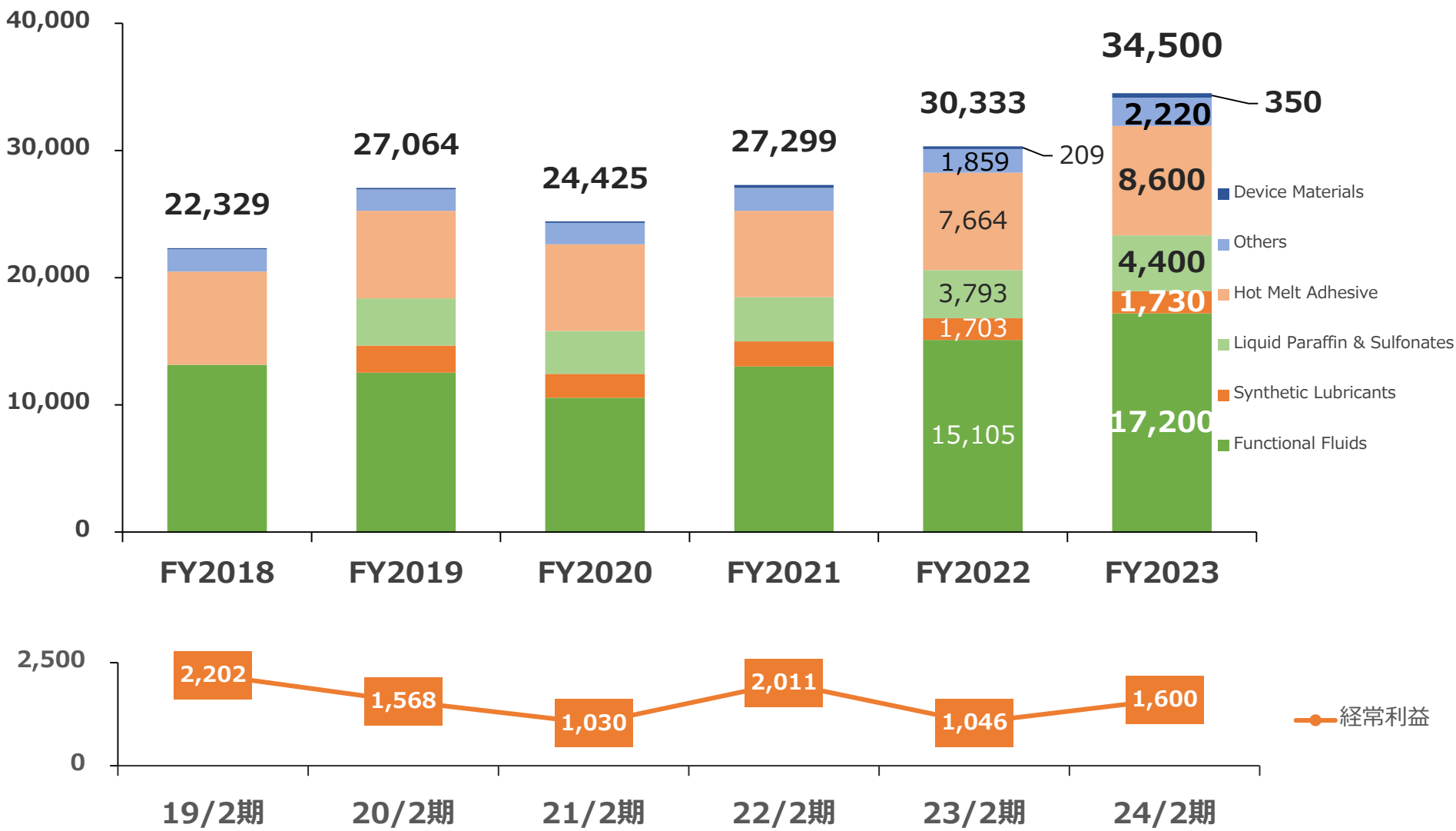
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Net sales (by division) and ordinary income trends

Unit : million yen



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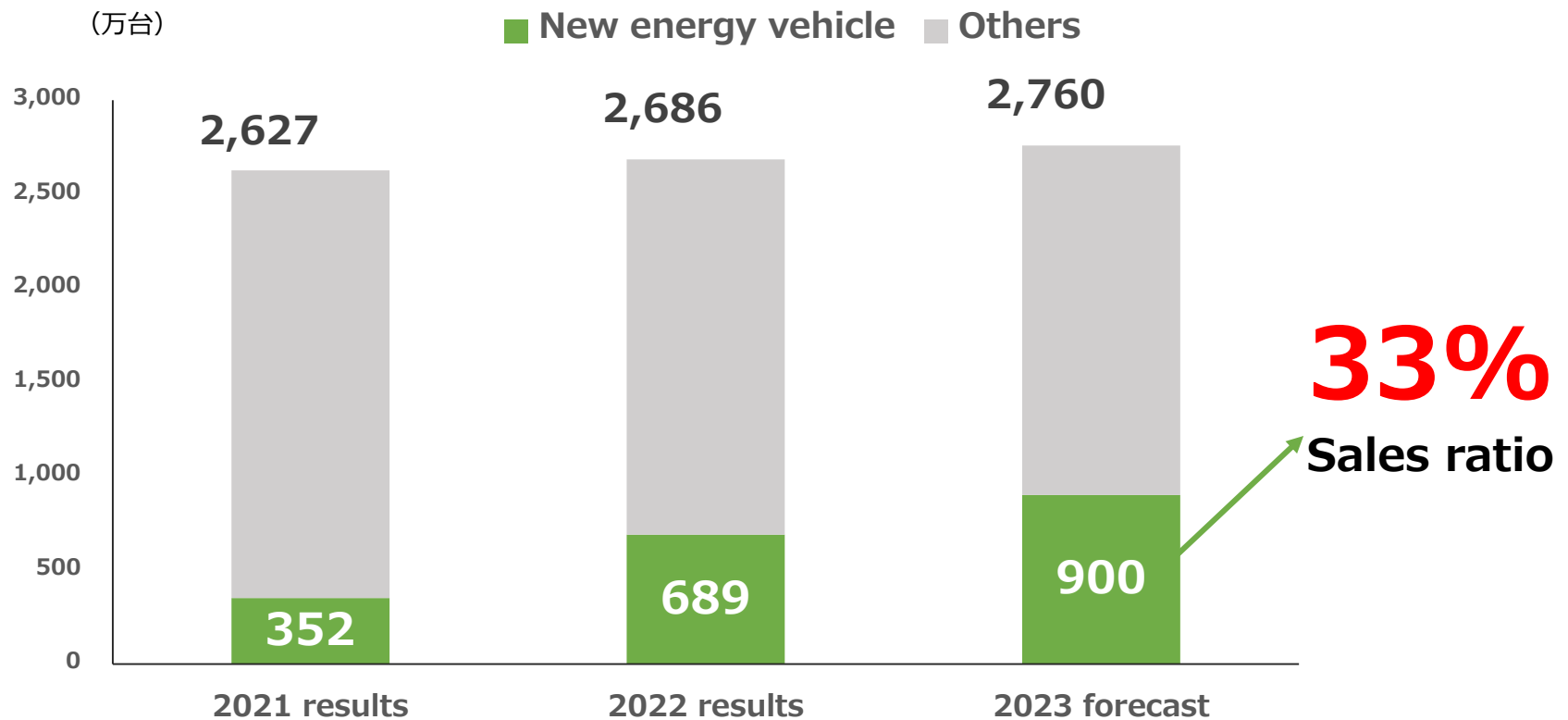
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- Focus on developing and expanding sales of new release agents and cutting fluids for non-ferrous metals
- Strengthen the Chinese R&D system and capture environment-related markets

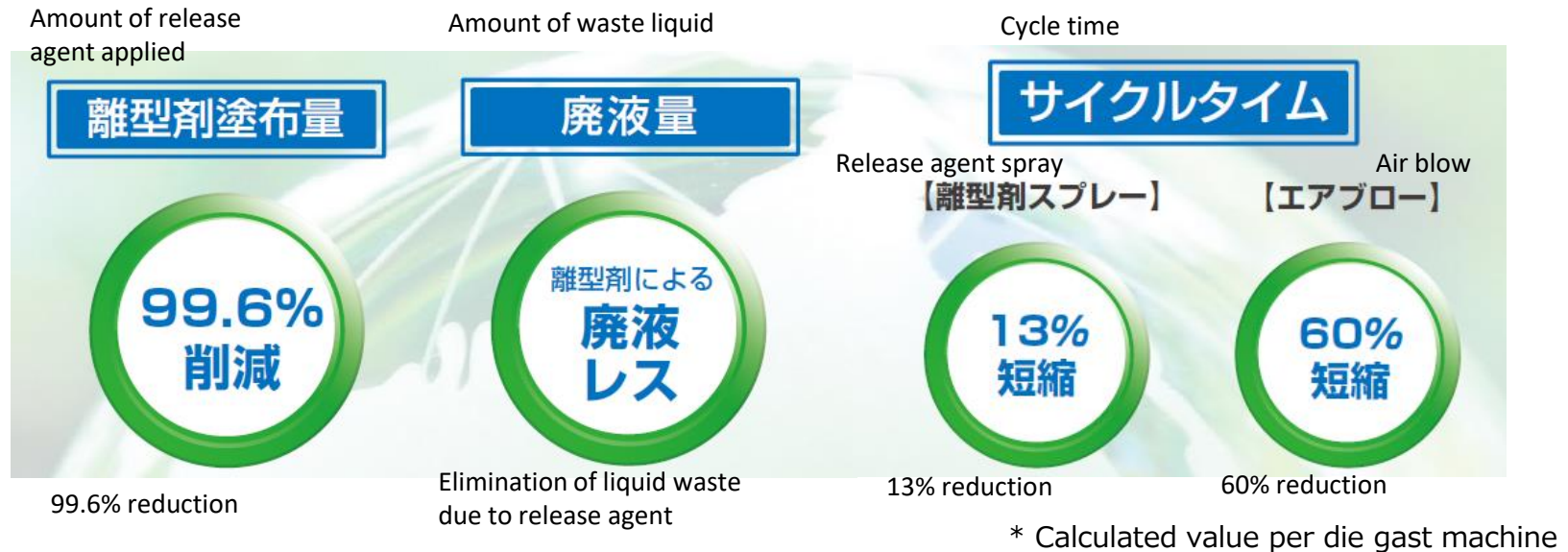
Changes in automobile sales in China



Source: Compiled in-house based on statistical data from the China Automobile Manufacturers Association

*The Chinese government classifies electric vehicles (EV), plug-in hybrid vehicles (PHV), and fuel cell vehicles (FCV) as new energy vehicles

➤ Contribution to climate change and biodiversity



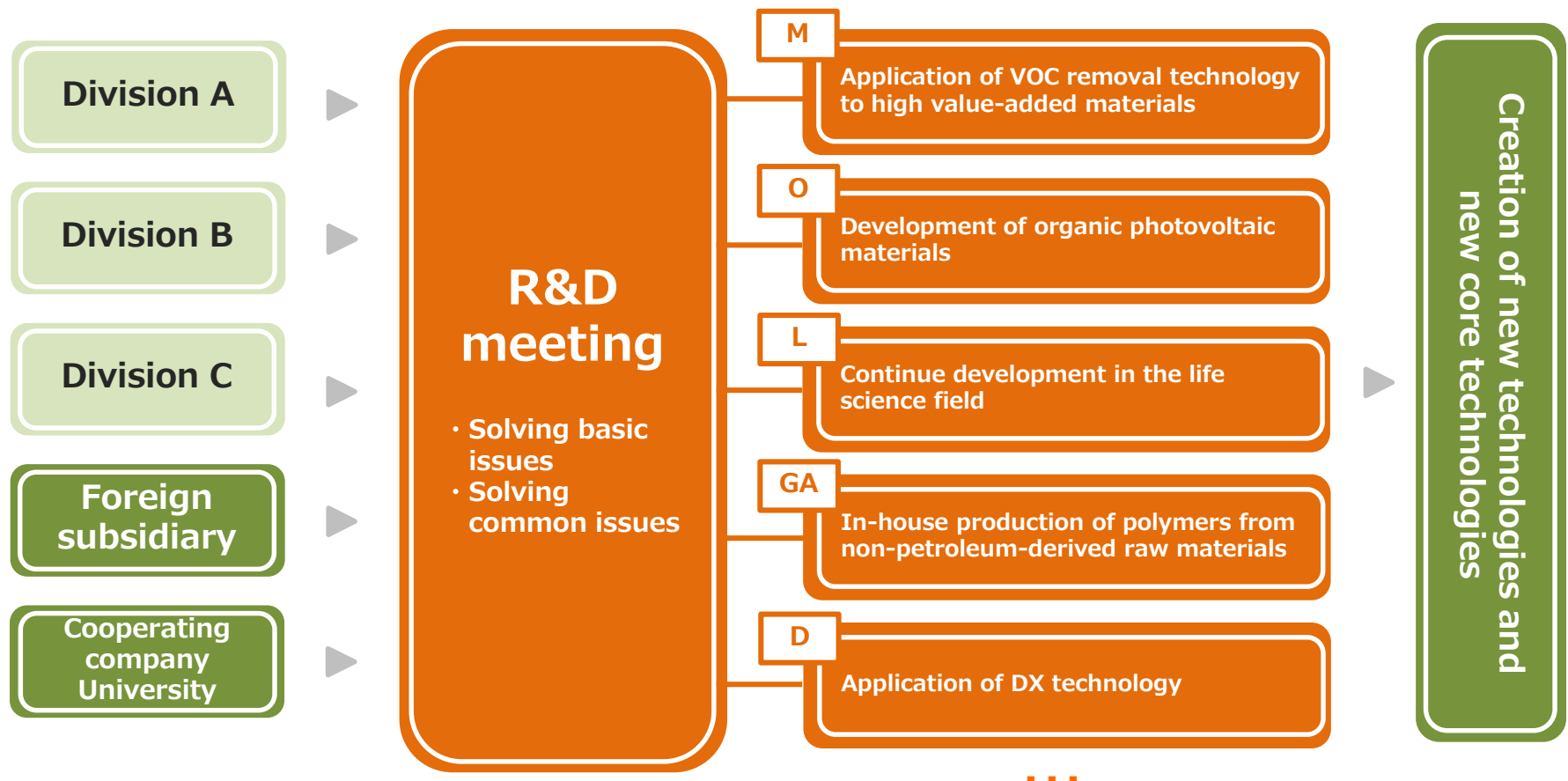
CO2 reduction

7.5 tons per year

Wastewater reduction

200 tons per year

- Cross-departmental development system in-house and in collaboration with industry, government, and academia
- Launch of company-wide project **MOLGAD**



Development of materials for improving the power generation efficiency of organic thin-film solar cells (OPV) through industry-academia collaboration



「Playable Week 2023」
Takanawa Gateway Station 3rd Anniversary Event

CO2 payback time (number of months)

Single crystal Si solar cell	42
OPV (power generation efficiency 5%)	13 ← current situation
OPV (power generation efficiency 10%)	6 ← Development goal

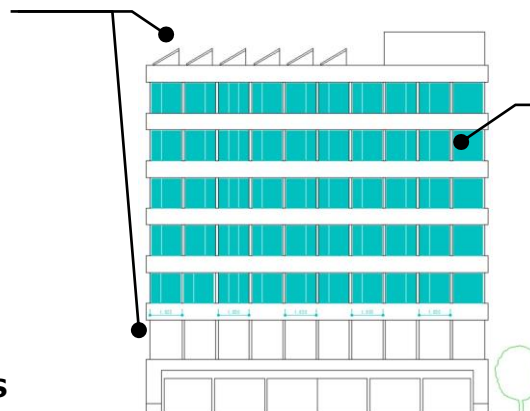
*Recovery period of CO2 generated from materials to device manufacturing by photovoltaic power generation

Effective power generation by combination of OPV and perovskite type (non-silicon type solar cell)

Can be installed on the roof or walls of existing buildings :
perovskite solar cell

Lighter weight and
higher efficiency than
Si solar cells

Development and evaluation of
high-performance encapsulants
for perovskite solar cells



Transparent,
lightweight, design

Windows of buildings, indoors
OPV (See-through)

Promoting joint research and development for drug discovery with university-launched ventures



Improvement of lifestyle-related diseases can be expected
Promoting drug discovery activities targeting autophagy
Obtain key compounds with enhanced pharmacological activity

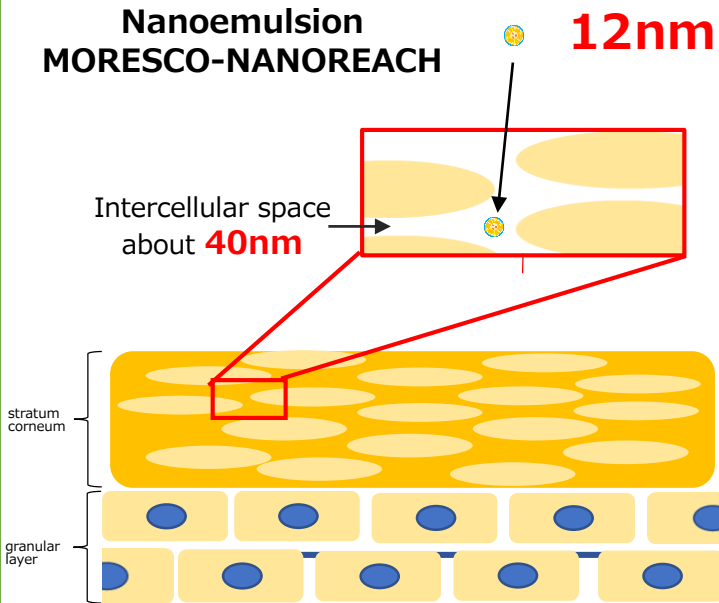
2023
First patent application scheduled



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

Sample evaluation underway at a major cosmetics manufacturer

For anti aging and sun protection
Nanoemulsion can be expected to enhance functionality





- Assign executive officers in charge of each area to respond quickly to customer needs
- Strengthen area-specific R&D functions and accelerate the launch of new products

China

- Early stabilization of new factory
- Strengthen development system (establish R&D center)
- A leading force for new energy vehicles

★ Main office

Southeast/South Asia

- Business expansion and system maintenance in Thailand
- Expand hot melt business in ASEAN

North America

- Consider collaboration with other companies in the same industry
- Strengthen sales to US customers
- Consider establishing a subsidiary in Mexico & business expansion

Expand IR-related information dissemination tools and actively engage in dialogue with investors

- ◆ As of March 1, 2023, we will establish an IR Department under the CFO to strengthen communication functions, such as handling integrated reports (Japanese and English).

	Sustainability special page	Information Disclosure Based on TCFD Recommendations	ESG data disclosure	Human rights due diligence	Human capital management	TNFD	Publication of Integrated Report
May 2022	●						
November 2022		●	●				
2023				●	●		
2024						●	●

Reduce GHG emissions from in-house energy consumption by **46%** by **2030** (compared to 2013)

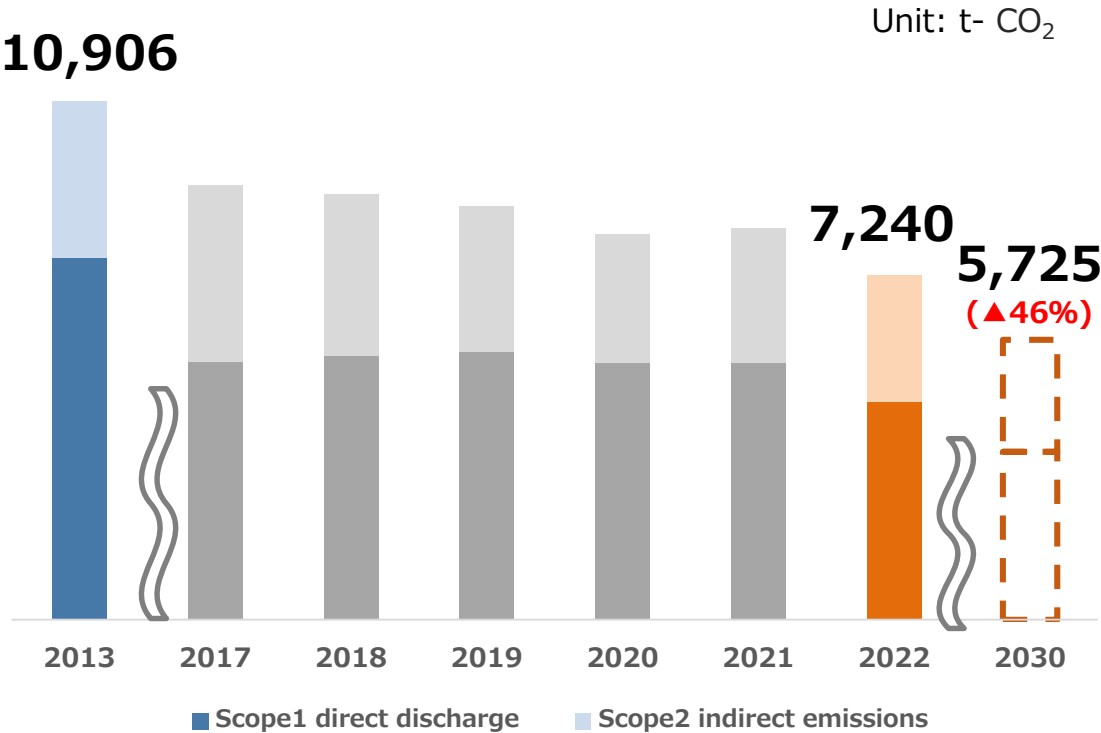
Achieve **carbon neutrality** by **2050**, including supply chain

GHG emissions Adjusting **Scope 3** target settings for release during this term



November 11, 2022
Expression of support

Changes in GHG Emissions of the MORESCO Group (Domestic)



2013 comparison

2021 ▲ **24%**

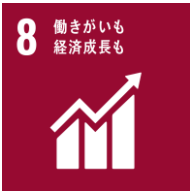
2022* ▲ **33%**

*The reduction rate for 2022 is a provisional figure using the electric power emission factor before finalization for the current fiscal year



Excellent Health and Productivity Management Organization (Large Enterprise Category)

Certified for 3 consecutive years

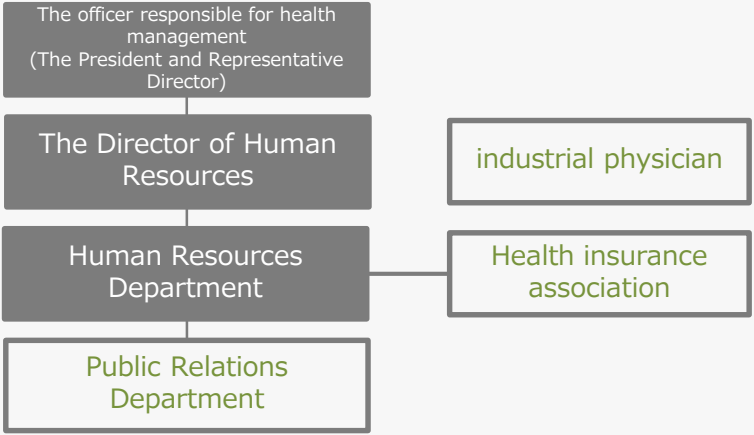


*A system to honor corporations that practice particularly excellent health management
(Ministry of Economy, Trade and Industry)

Health management declaration

MORESCO believes that the physical and mental health of its employees is essential for the sustainable development of the company. We will promote the health of our employees in order to realize **"a company where each and every person grows up in a rich environment and creates new value."**

Structure



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- **Appropriation of surplus**

- 1. Year-end dividend**

20 yen per share of common stock

Total amount 184,550,600 yen

(Annual dividend ¥40 per share)

- 2. Appropriation of other surplus**

Set aside 450 million yen from retained earnings carried forward

- **Election of five directors**
(Excluding directors who are Audit and Supervisory Committee members)

Candidates

Motohisa	Morozumi
Nobuhiro	Sewaki
Yasuo	Sakane
Hirofumi	Fujimoto
Hiroko	Fuji

- **Directors**

(Excluding directors who are Audit and Supervisory Committee members)

Motohisa	Morozumi
Nobuhiro	Sewaki
Yasuo	Sakane
Hirofumi	Fujimoto
Hiroko	Fuji



- 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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