

# MORESCO Corporation

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

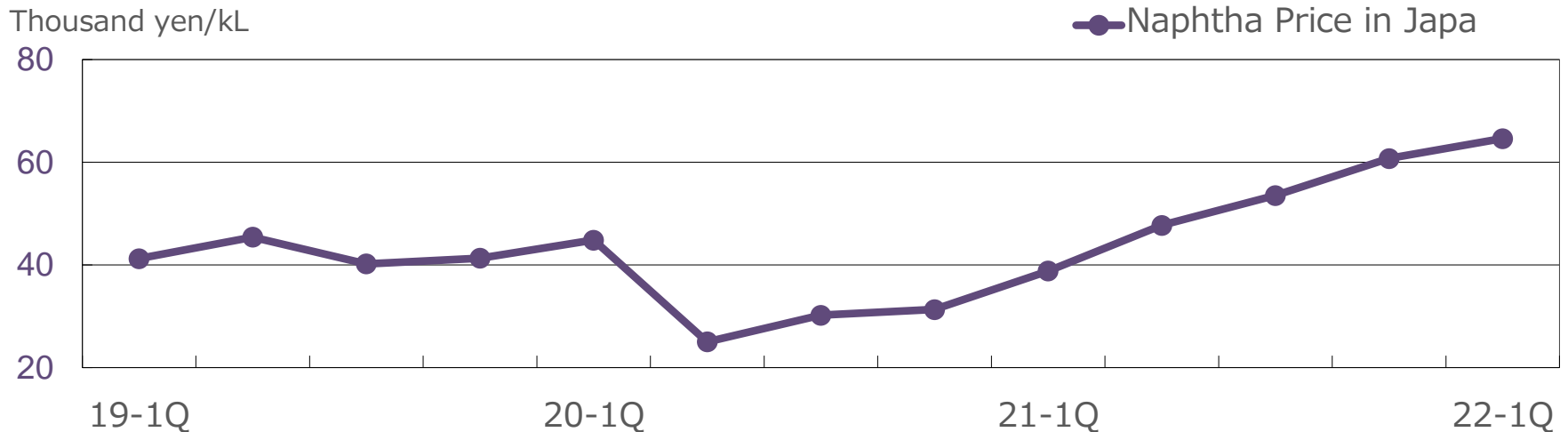
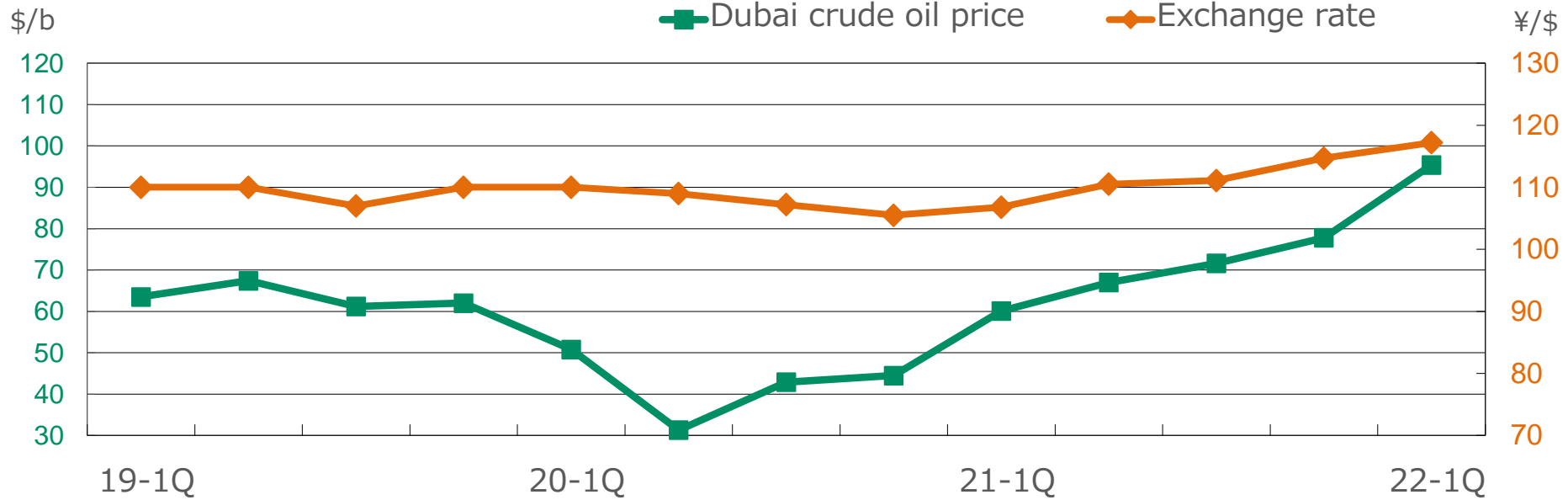
## The 65th 1Q Financial Report

( From March 1, 2022 to May 31, 2022 )

Tokyo Stock Exchange Prime Market 5018 (Petroleum and Coal Products)

July, 2022

# Business environment for the current period (1)

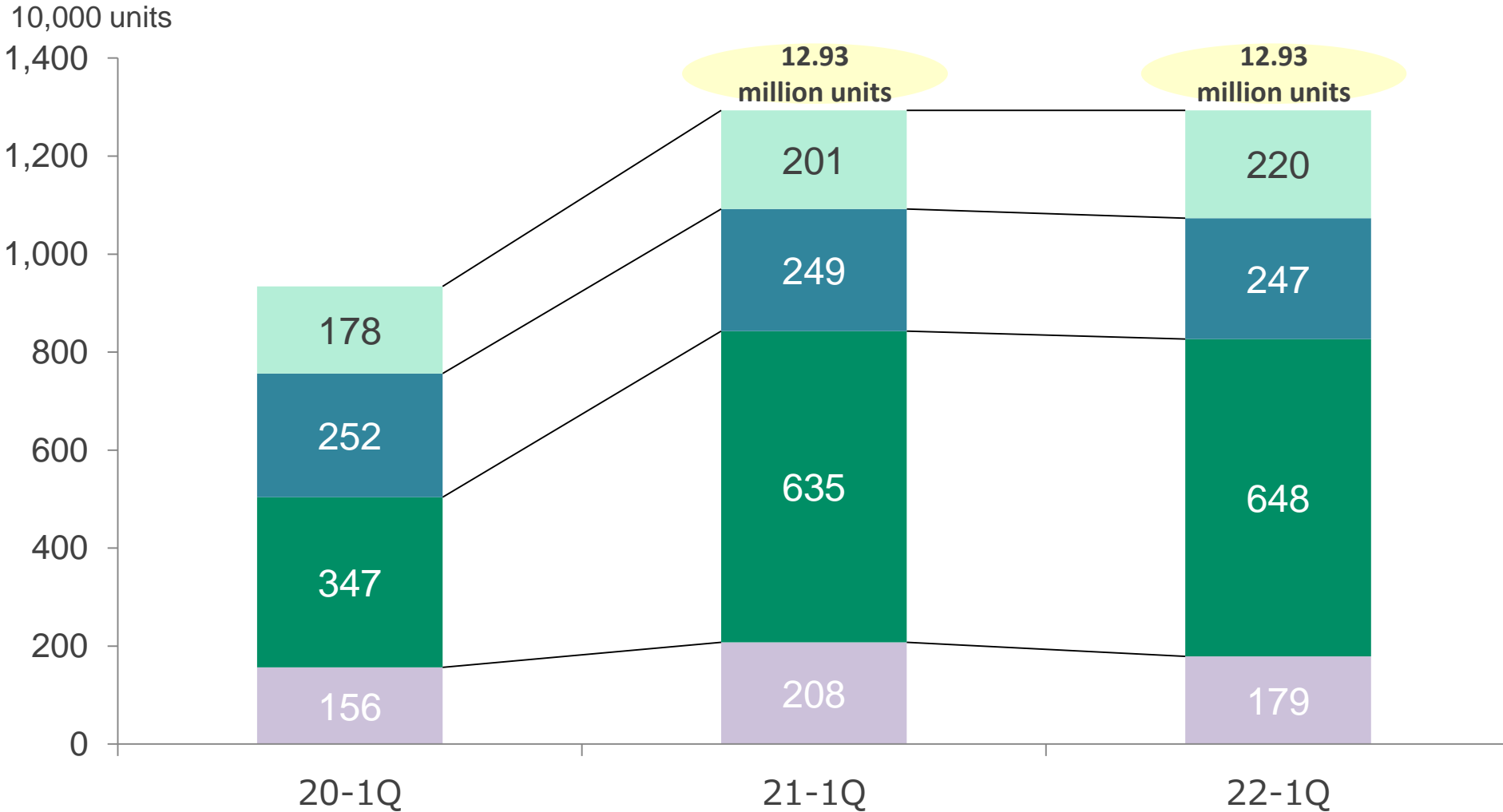


# Business environment for the current period (2)



## Car Production in The Area where Our Base is Located

Source: MarkLines Co., Ltd.



Notes:

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

■ Southeast / South Asia ■ U.S. ■ China ■ Japan

# Consolidated Income Statement



- Although sales increased due to the correction of product selling prices, the profit margin declined due to the further rise in raw material prices.

Millions of yen

Account title	21 / 1Q	22 / 1Q	Year-on-year change
Net Sales	6,656	7,050	+5.9%
Gross Profit	2,324	2,053	△ 11.7%
Selling, General and Administrative Expenses	1,805	1,852	+2.6%
Operating Income	520	201	△ 61.4%
Non-operating profit & loss	202	271	+34.2%
Ordinary Income	721	471	△ 34.7%
Extraordinary profit & loss	833	—	—
Income before Income Tax	1,555	471	△ 69.7%
Net Income *	1,095	317	△ 71.0%

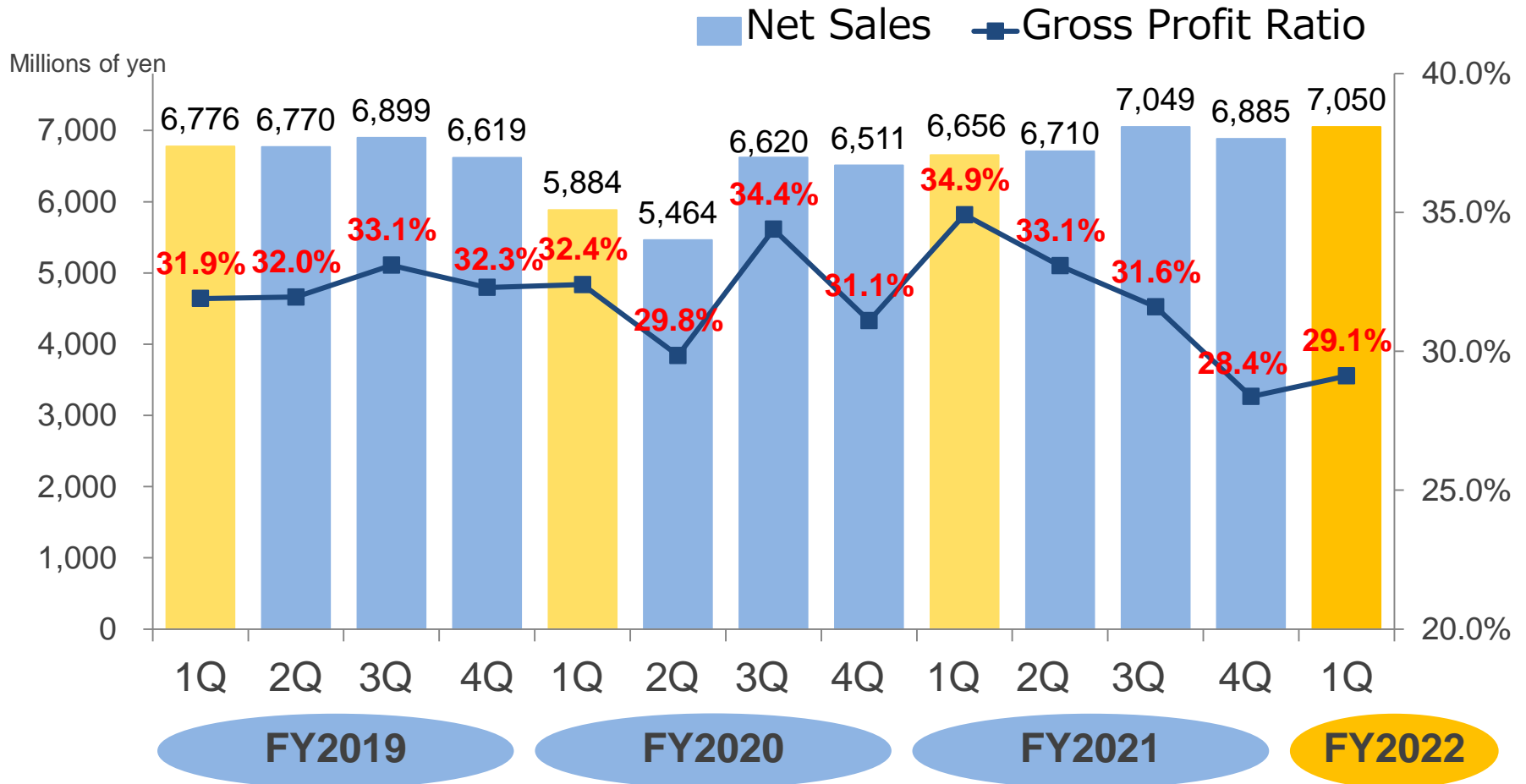
\* Net income attributable to owners of parent. The same applies hereafter.

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# Changes in Net Sales and Gross Profit Ratio



- The situation has stopped the decline in gross profit margin since the previous 2Q.



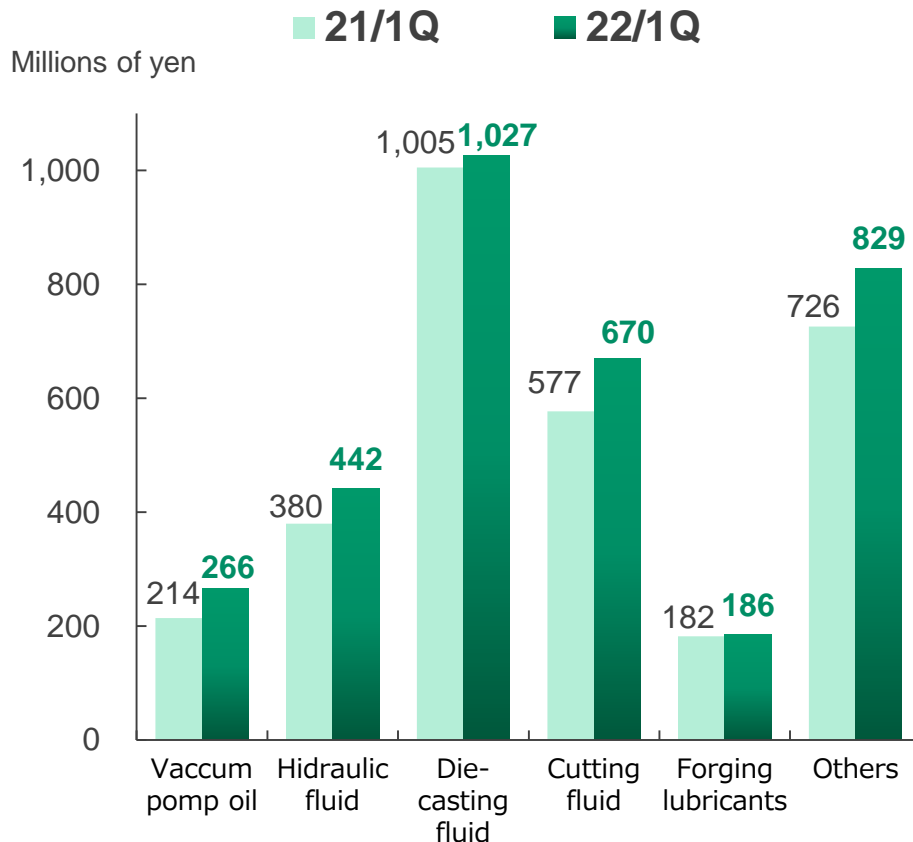
# Breakdown of Sales by Division



Millions of yen

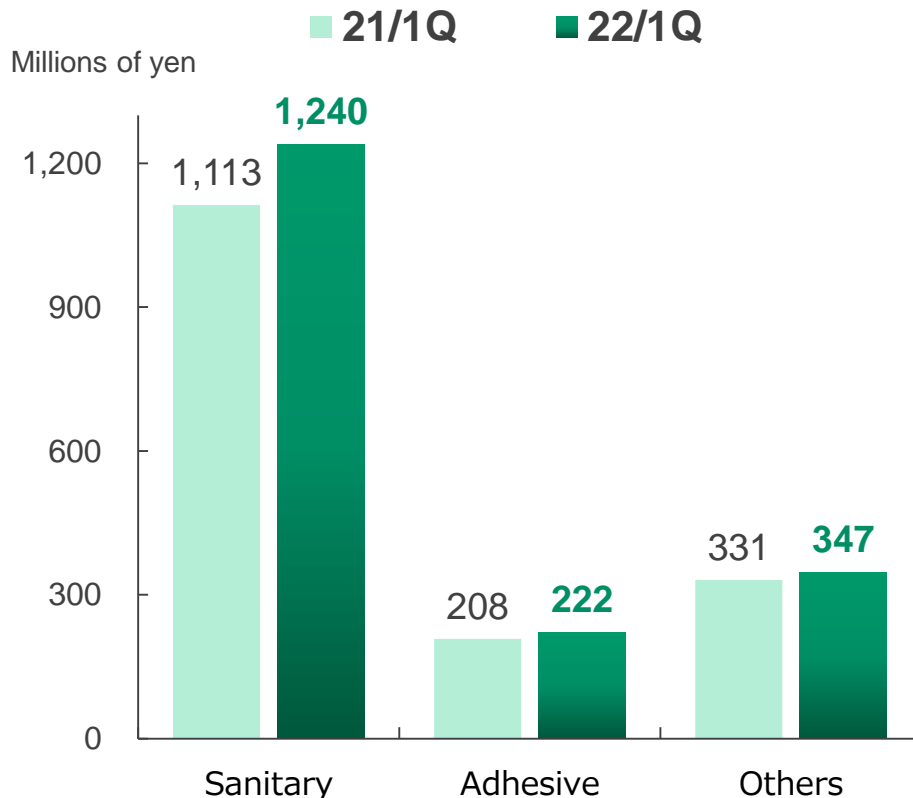
Account title	21/1Q	22/1Q	Year-on-year change
Functional Fluids	3,083	3,420	+10.9%
Synthetic Lubricants	503	502	△0.1%
Liquid Paraffin & Sulfonates	807	902	+11.9%
Hot Melt Adhesive	1,671	1,809	+8.2%
Other	584	417	△28.7%
Chemical Products TTL	6,648	7,050	+6.0%
Rental Building Business	8	—	—
<b>Total Net Sales</b>	<b>6,656</b>	<b>7,050</b>	<b>+5.9%</b>

- **Sales increased by 10.9% year-on-year (3,420 million yen)**  
**Sales volume increased by 2.3%**



- In terms of quantity, the decrease in shipments of die-casting fluid was covered by the recovery in demand for vacuum pump oil and the expansion of new sales of cutting fluid.
- The unit price increased due to the correction of the selling price.

- **Sales increased by 8.2% year-on-year (1,809 million yen)**  
**Sales volume increased by 5.9%**



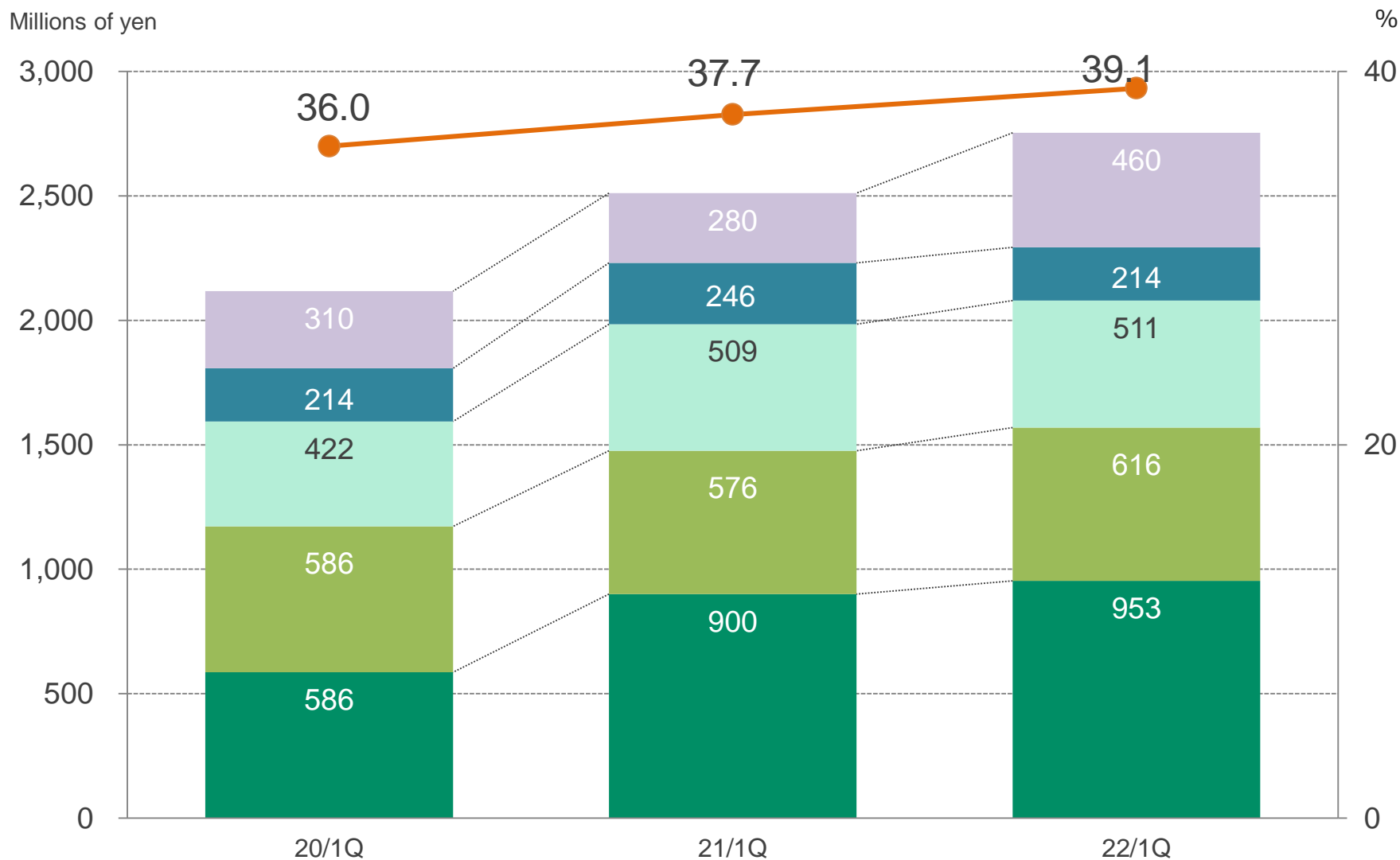
- **Sales of sanitary materials increased due to a recovery in demand in Japan and an increase in shipments in India.**



# Overseas Sales (Consolidated)



Millions of yen



■ China 
 ■ Indonesia 
 ■ Thailand 
 ■ North America 
 ■ Others 
 —●— Overseas sales ratio

# FY2022 Consolidated Earnings Forecast



Millions of yen

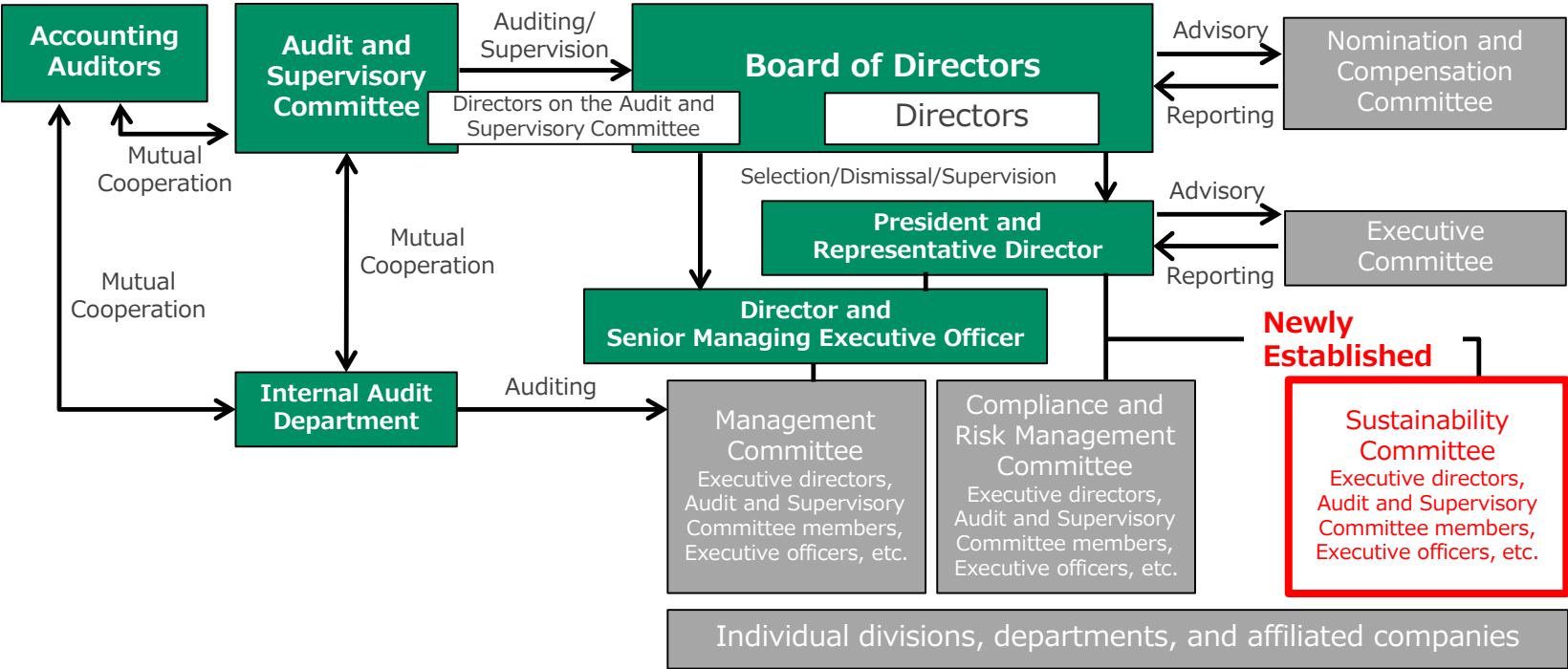
科目	2022/1Q	FY2022 Forecast	Progress rate
Net Sales	7,050	30,500	23.1%
Operating Income	201	1,850	10.9%
Ordinary Income	471	2,200	21.4%
Net Income	317	1,300	24.4%

# Realization of a Sustainable Society

## ➤ MORESCO Group 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.




















## ➤ System to Promote Sustainability



# Seven Materialities (priority issues)



➤ Consisting of 5 business activities and 2 internal foundations, we will make steady progress towards 2030.

	Task	SDGs-Related	The Initiative
Critical Issues related to business activities	Reduce environmental risks	   	<ul style="list-style-type: none"> <li>Develop long-lasting products that generate less wastage with and limiting impact to the environment</li> <li>Establish a “reduce- reuse- recycle” culture at workplace</li> <li>Reduce CO<sub>2</sub> emissions and wastewater in manufacturing processes</li> <li>Develop and deliver eco-friendly products</li> <li>Invest in and adopt renewable energy sources and implement energy savings practices</li> </ul>
	Develop innovative products and services	 	<ul style="list-style-type: none"> <li>Invest in innovations and new technologies in existing business to help reduce the cost and make them affordable for all</li> <li>Identify and develop new business opportunities</li> </ul>
	Transform business focusing on long-term values for sustainable growth	  	<ul style="list-style-type: none"> <li>Create long-term, sustainable impact across employees, customers, suppliers, communities, and shareholders by utilizing data analysis</li> <li>Optimize production efficiency and minimize environmental impact using digital technology</li> <li>Make the workplace safer by promoting machine automation in the factories and conducting regular safety checks</li> </ul>
	Supply chain management	  	<ul style="list-style-type: none"> <li>Ensure sustainable and stable procurement of raw materials</li> <li>Select suppliers having good socially conscious vision and capability of navigating change/disruption</li> <li>Reinforce supply chain network and resilience</li> <li>Strengthen BCP system</li> </ul>
	Strengthen business partnerships		<ul style="list-style-type: none"> <li>Create innovation through joint research with research institutions, etc.</li> <li>Form partnerships with key customers and suppliers for competitive advantages and technology advancements</li> <li>Co-create values with local communities and promote CSR activities</li> </ul>
Critical Issues related to corporate management	Strengthen human capital by developing and promoting diverse human resources	  	<ul style="list-style-type: none"> <li>Develop global talent to meet business needs</li> <li>Ensure fair hiring practices and equal pay for equal work</li> <li>Promote career advancements for female employees</li> <li>Provide career development and leadership training to accelerate the growth of employees</li> </ul>
	Build a better workplace	  	<ul style="list-style-type: none"> <li>Improve employees' work-life balance</li> <li>Uphold human and labor rights</li> <li>Establish a corporate culture that emphasizes diversity, equity, and inclusiveness (DE&amp;I)</li> <li>Ensure competitive compensation and benefits to attract and retain talent</li> <li>Ensure harassment-free working environment</li> <li>Promote Business Process Reengineering (BPR) to make changes for the better</li> </ul>

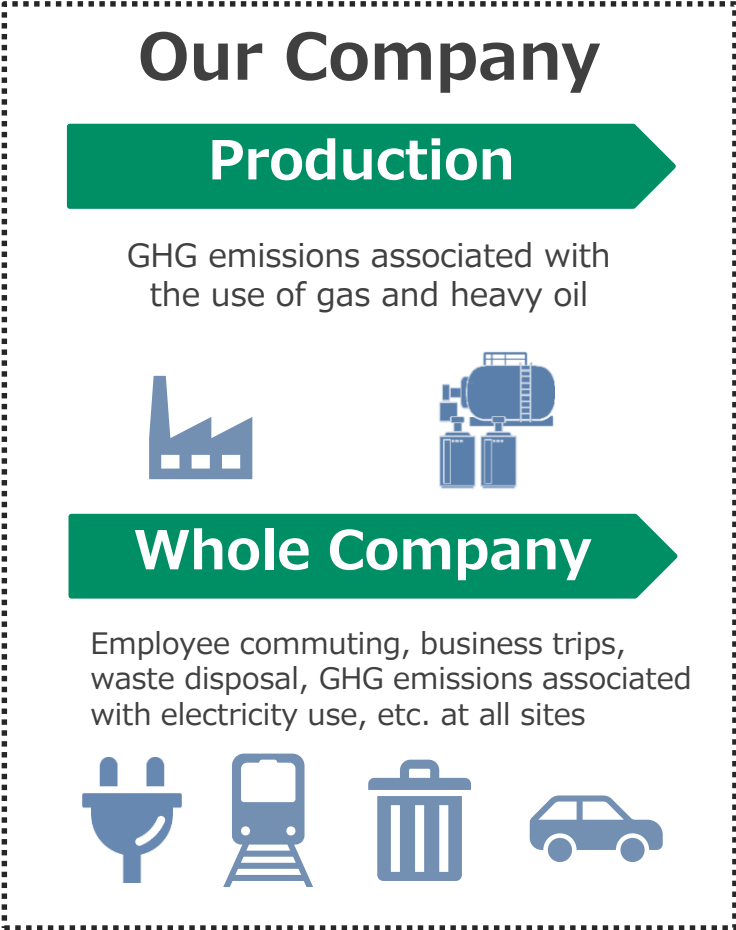
# Initiatives for decarbonization



- By **2030**, we aim to reduce GHG emissions by **46%** from our own energy consumption (compared to 2013) .
- We aim to be **carbon neutral** by **2050**, including our supply chain.

## Purchase

GHG emissions associated with the production of raw materials to purchase



## Sale

GHG emissions associated with transportation to customers



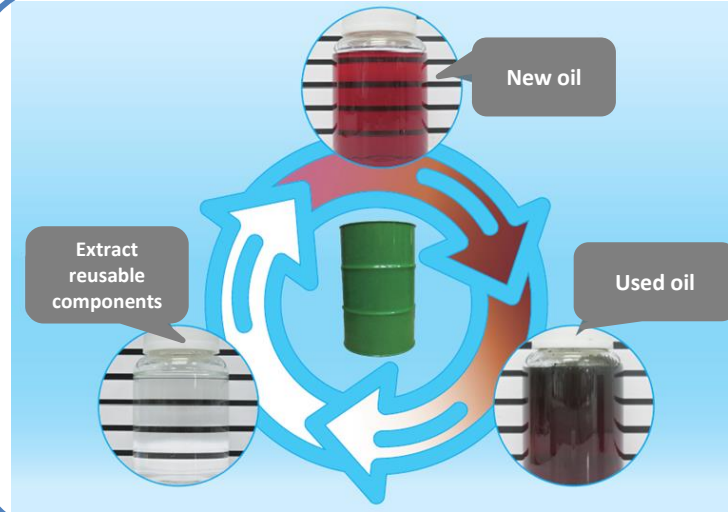
Disposal after product use  
GHG emissions



# Initiatives for the Circular Economy

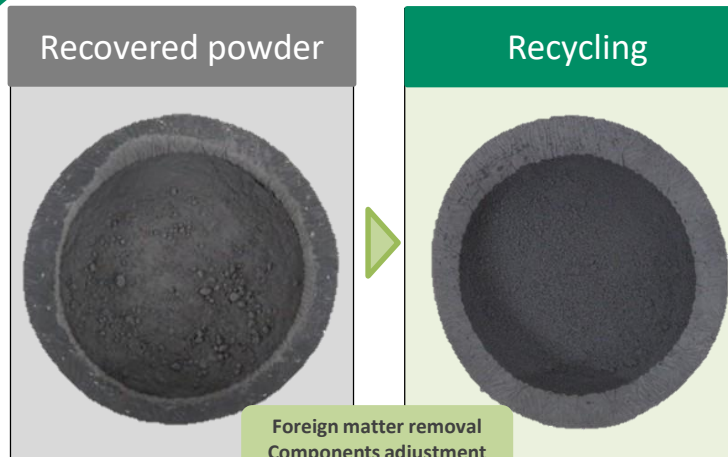
## Conventional efforts

- Deteriorated additives (20% of the total) are removed from the old Water-glycol hydraulic fluid, and the rest is reintroduced into the raw material.



## Future efforts

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



Gas & water vapor transmittance measurement device  
**Multi-chamber type**



- Reduce operator load with multiple sample measurements.
- Contribute to improving the quality of food and pharmaceuticals by measuring the performance of barrier films.
- **We will develop a new measurement device that specializes in hydrogen permeation for fuel cells and contribute to a hydrogen society.**



**New 4-chamber type device**

Performance	New equipment	Existing equipment
Number of sample chambers	⊙ <b>(4 chambers)</b>	○ (1 chamber)
Measurement sensitivity	○ ( $\sim 3 \times 10^{-5}$ )	⊙ <b>(<math>\sim 1 \times 10^{-6}</math>)</b>
Measurement efficiency (10 <sup>-3</sup> order)	⊙ <b>(4 samples/4 days)</b>	○ (2 samples/4 days)
Result analysis	⊙ <b>(Easy)</b>	○ (Advanced)
Use	Production process Quality control process	R & D
Application field	Electronic parts/electronic equipment Food and pharmaceutical packaging	Organic device

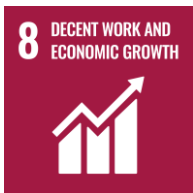


# Company-internal infrastructure -Achieving a work style that emphasizes human rights and fulfills both mind and body



## Health Management Excellent Corporation 2022 (Large-scale Corporate Division)

**Certified for two consecutive years**



2021

健康経営優良法人  
Health and productivity



2022

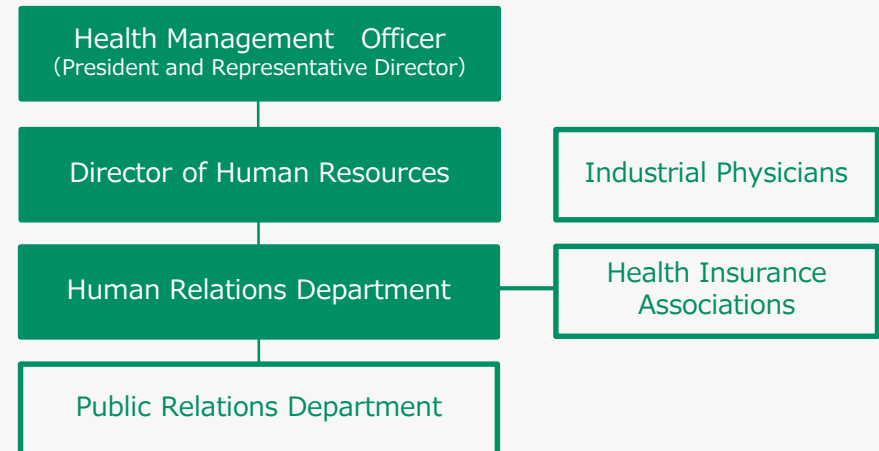
健康経営優良法人  
Health and productivity

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

### 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.

### Health Management Promotion System





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