

# MORESCO Corporation

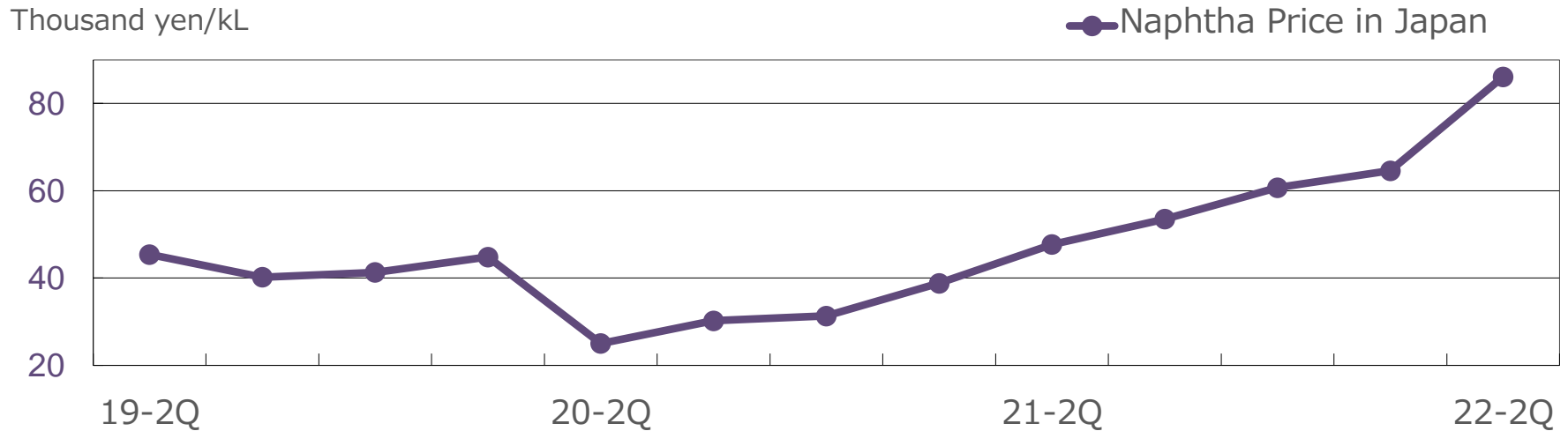
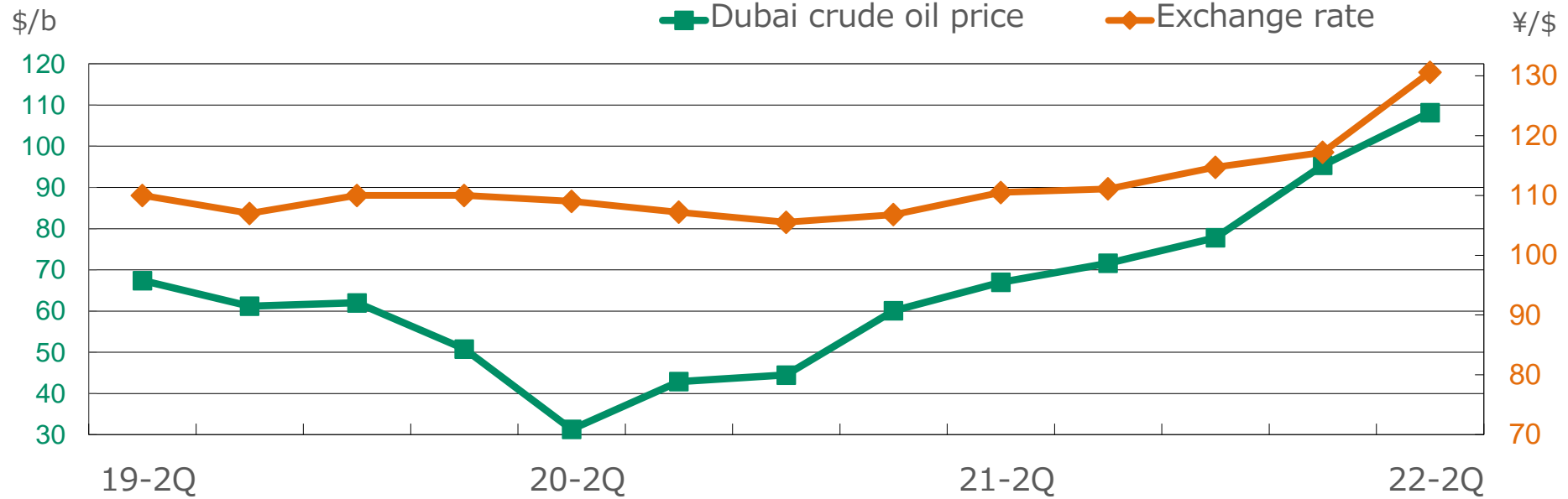
MORESCO Group delivers sustainable one-of-a-kind products

## The 65th 2Q Financial Report

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

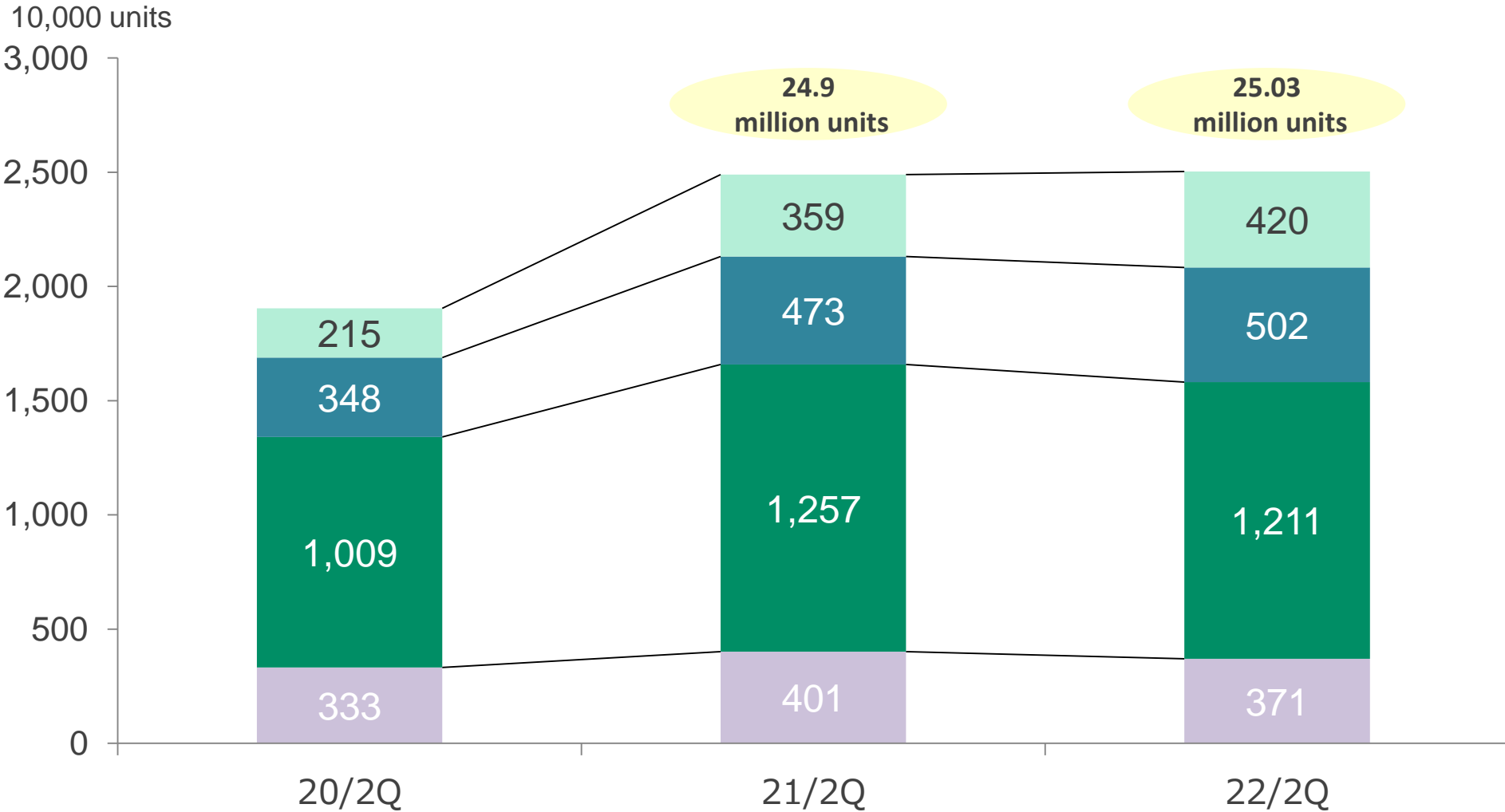
Tokyo Stock Exchange Prime Market 5018 (Petroleum and Coal Products)  
October 2022

# Business environment for the current period (1)



## Car Production by Our Operating Region

Source: MarkLines Co., Ltd.



Notes:

- ① Japan is from March to August, and overseas is from January to June.
- 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 product sales price corrections, the profit margin declined due to further increases in raw material prices.

Millions of yen

Account title	21/2Q	22/2Q	Year-on-year change
Net Sales	13,366	14,523	+8.7%
Gross Profit	4,544	4,039	△ 11.1%
Selling, General and Administrative Expenses	3,621	3,744	+3.4%
Operating Income	923	295	△ 68.0%
Non-operating profit & loss	240	550	+129.4%
Ordinary Income	1,163	846	△ 27.3%
Extraordinary profit & loss	833	—	—
Income before Income Tax	1,996	846	△ 57.6%
Net Income *	1,359	504	△ 62.9%

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

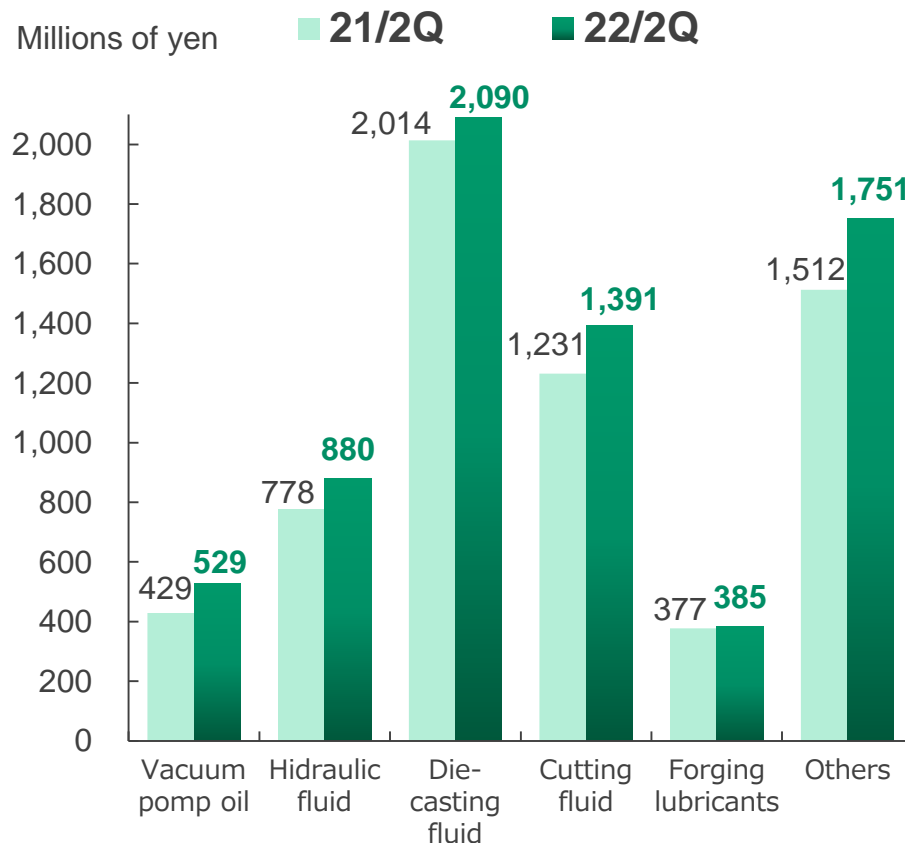
# Breakdown of Sales by Division



Millions of yen

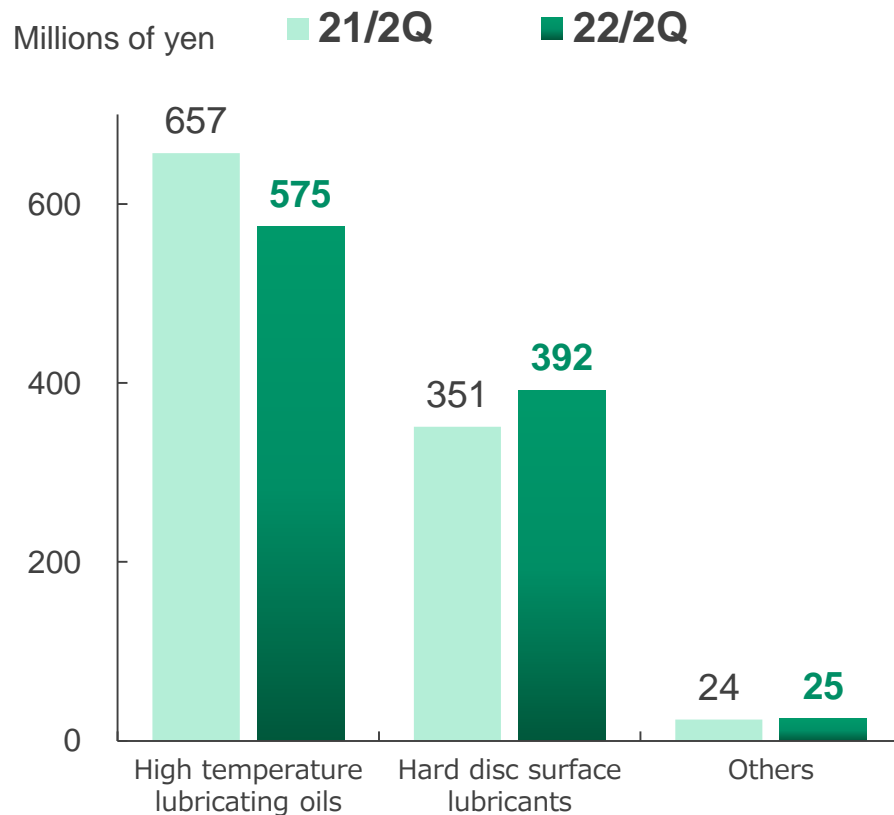
Account title	21/2Q	22/2Q	Year-on-year change
Functional Fluids	6,341	7,027	+10.8%
Synthetic Lubricants	1,033	991	△4.1%
(HD Surface Lub)	351	392	+11.4%
Liquid Paraffin & Sulfonates	1,672	1,855	+11.0%
Hot Melt Adhesive	3,325	3,754	+12.9%
Other	987	896	△9.2%
Chemical Products TTL	13,358	14,523	+8.7%
Rental Building Business	8	—	—
<b>Total Net Sales</b>	<b>13,366</b>	<b>14,523</b>	<b>+8.7%</b>

- **Sales increased by 10.8% year-on-year (7,027 million yen)**  
**Sales volume decreased by 0.7%**



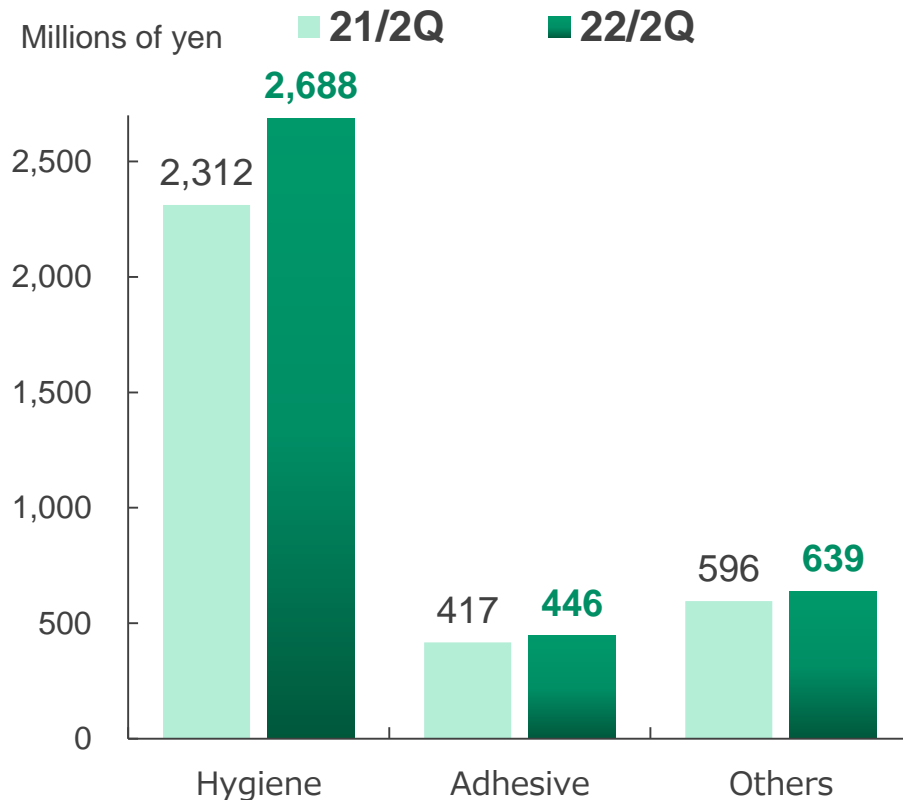
- Unit prices rose due to sales price corrections.
- In terms of volume, the decline in die casting fluids will be covered by the recovery in demand for high-vacuum pump oil and new sales expansion of cutting fluids.

➤ **Sales decreased by 4.1% year-on-year (991 million yen)**



- High temperature lubricating oils  
Sales decreased due to a decrease in automobile production volume.
- Hard disc surface lubricants  
Sales increased due to the impact of yen depreciation.

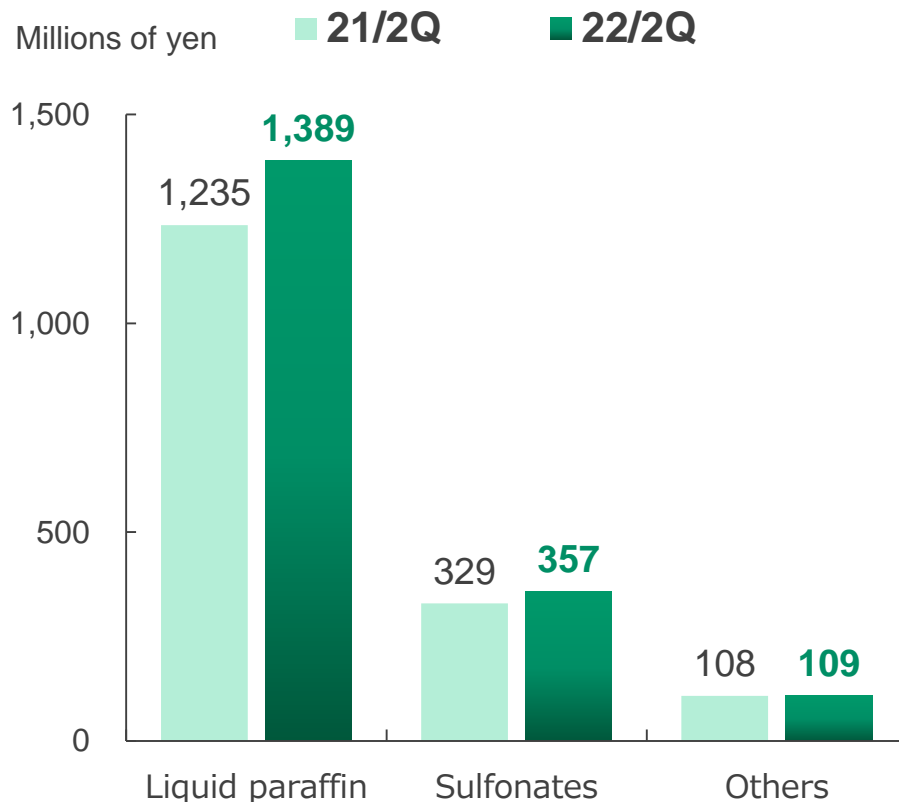
- **Sales increased by 12.9% year-on-year (3,754 million yen)**  
**Sales volume increased by 8.9%**



- Unit prices rose due to sales price corrections.
- Products for hygiene increased in India, Japan, and Indonesia.
- Decrease in sales volume of automotive products was offset by increased sales of products for hygiene and products for adhesive materials.



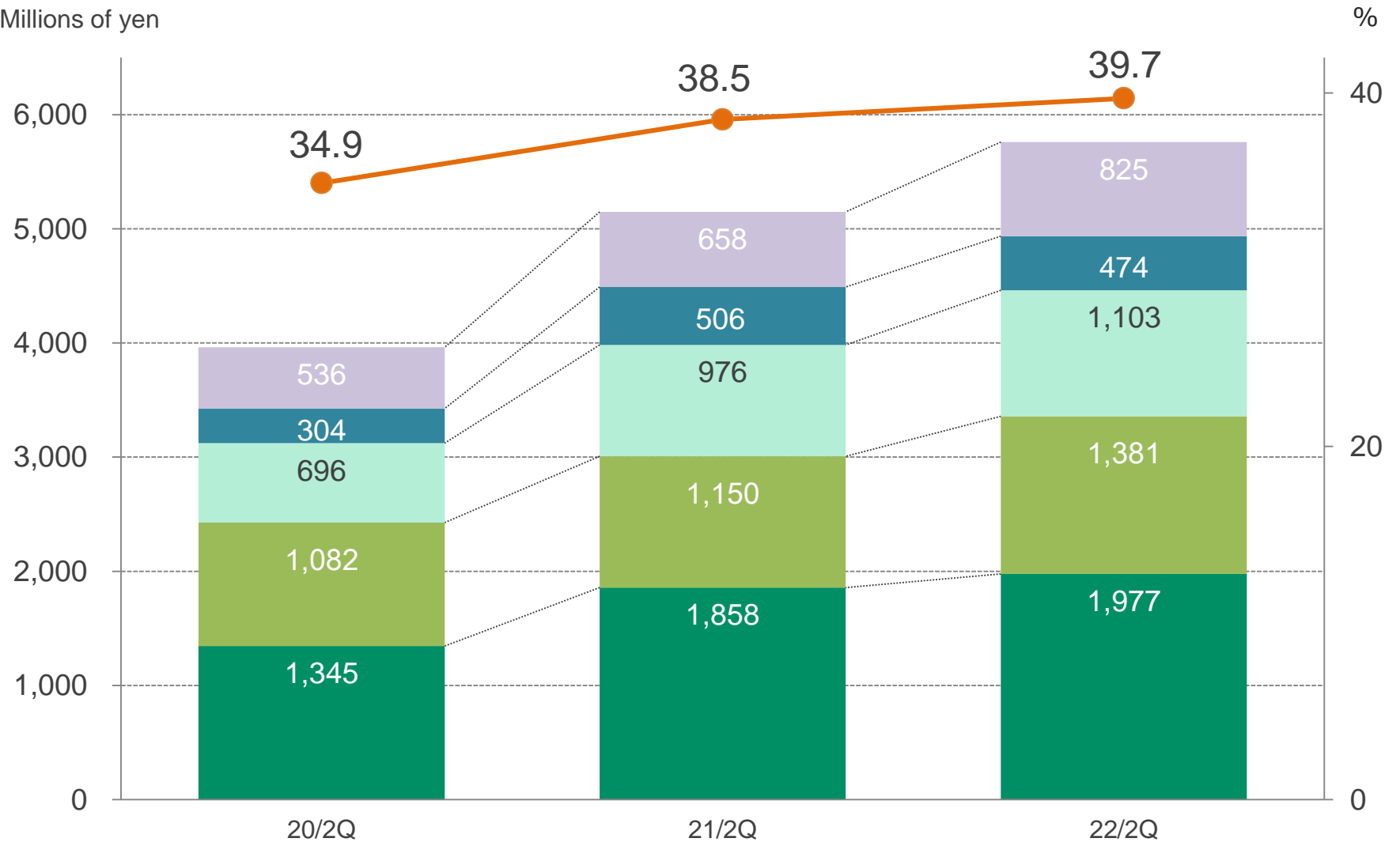
- **Sales increased by 11.0% year-on-year (1,855 million yen)**  
Sales volume increased by 0.2%



- Shipments of liquid paraffin used for polystyrene plasticizer were strong. While domestic shipments increased, exports decreased.
- Unit prices rose due to sales price corrections.

# Overseas Sales (Consolidated)

Millions of yen



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

# Consolidated Income Statement



Millions of yen

Account title	21/2Q	22/2Q	Year-on-year change
Net Sales	13,366	14,523	+8.7%
Gross Profit	4,544	4,039	△ 11.1%
Selling, General and Administrative Expenses	3,621	3,744	+3.4%
Operating Income	923	295	△ 68.0%
Non-operating profit & loss	240	550	+129.4%
Ordinary Income	1,163	846	△ 27.3%
Extraordinary profit & loss	833	—	—
Income before Income Tax	1,996	846	△ 57.6%
Net Income *	1,359	504	△ 62.9%

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

# Consolidated Income Statement



Millions of yen

Account title	21/2Q	22/2Q	Year-on-year change
Net Sales	13,366	14,523	+8.7%
Gross Profit	4,544	4,039	△11.1%
Selling, General and Administrative Expenses	3,621	3,744	+3.4%
Operating Income	923	295	△68.0%
Non-operating profit & loss	240	550	+129.4%
Ordinary Income	1,163	846	△27.3%
Extraordinary profit & loss	833	—	—
Income before Income Tax	1,996	846	△57.6%
Net Income *	1,359	504	△62.9%

\* Net income attributable to owners of parent.

# Selling, General and Administrative Expenses



Millions of yen

	21/2Q	22/2Q	Increase/ Decrease	Year-on-year change
Selling, General and Administrative Expenses (include R&D Expenses)	3,621	3,744	+122	+3.4%
R&D Expenses	684	635	△49	△7.1%
SGA Ratio	27.1%	25.8%		
Ratio of R&D Expenses to Sales	5.1%	4.4%		

# Consolidated Income Statement



Millions of yen

Account title	21/2Q	22/2Q	Year-on-year change
Net Sales	13,366	14,523	+8.7%
Gross Profit	4,544	4,039	△11.1%
Selling, General and Administrative Expenses	3,621	3,744	+3.4%
Operating Income	923	295	△68.0%
Non-operating profit & loss	240	550	+129.4%
Ordinary Income	1,163	846	△27.3%
Extraordinary profit & loss	833	—	—
Income before Income Tax	1,996	846	△57.6%
Net Income *	1,359	504	△62.9%

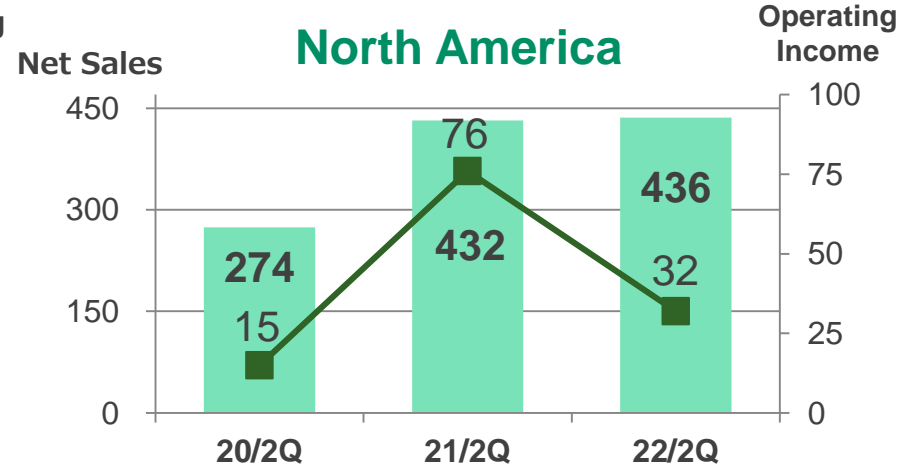
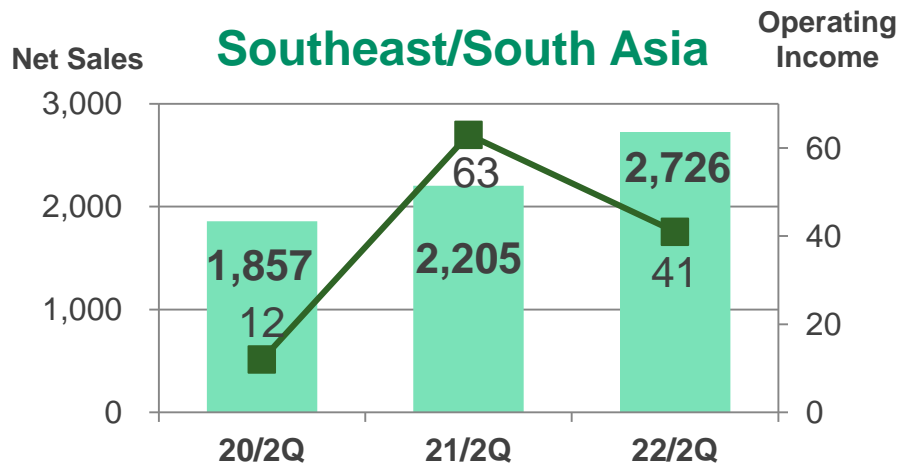
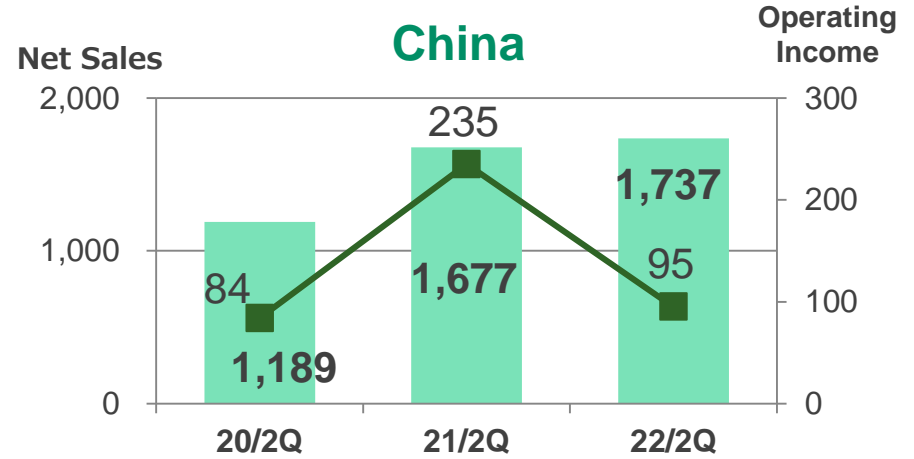
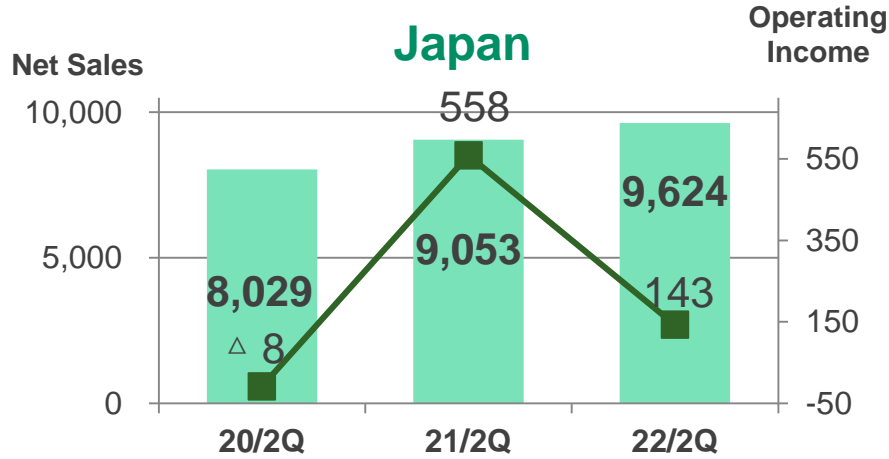
\* Net income attributable to owners of parent.

# Profit and Loss by Regional Segment (Consolidated)



■ Sales to external customers    ■ Operating Income

Millions of yen



# Balance Sheet (Consolidated)



Millions of yen

Account title	22/2Q	Increase/ Decrease	Account title	22/2Q	Increase/ Decrease
Cash & Deposit	4,166	165	Trade Payable	4,926	618
Notes and accounts receivable	7,524	680	Interests bearing debt (Current)	1,927	1,018
Inventories	6,102	776	Other Current Liabilities	1,612	△781
Other	493	58	Other Noncurrent Liabilities	910	63
<b>Current Assets</b>	<b>18,285</b>	<b>1678</b>	<b>Total Liabilities</b>	<b>9,375</b>	<b>918</b>
Property, Plant and Equipment	8,395	91	Capital Stock · Capital Surplus	4,095	1
Intangible Assets	649	16	Retained Earnings	13,834	316
Investments and Others	3,764	298	Treasury Stock	△567	△183
<b>Fixed Assets</b>	<b>12,808</b>	<b>406</b>	Accumulated Other Comprehensive Income	1,583	849
			Non-Controlling Interest	2,773	183
			<b>Total Net Assets</b>	<b>21,717</b>	<b>1,166</b>
<b>Total Assets</b>	<b>31,092</b>	<b>2,084</b>	<b>Total Liability &amp; Assets</b>	<b>31,092</b>	<b>2,084</b>

Note: Increase/Decrease vs. End of FY2021



# Capital Investment/Depreciation



Millions of yen

Account title	21/2Q	22/2Q	Increase/Decrease
Total Capital Investment	334	284	△50
MORESCO	176	128	△48
Consolidated Subsidiary	158	156	△2
Depreciation	590	612	+22

# Interest-bearing Debt



Millions of yen

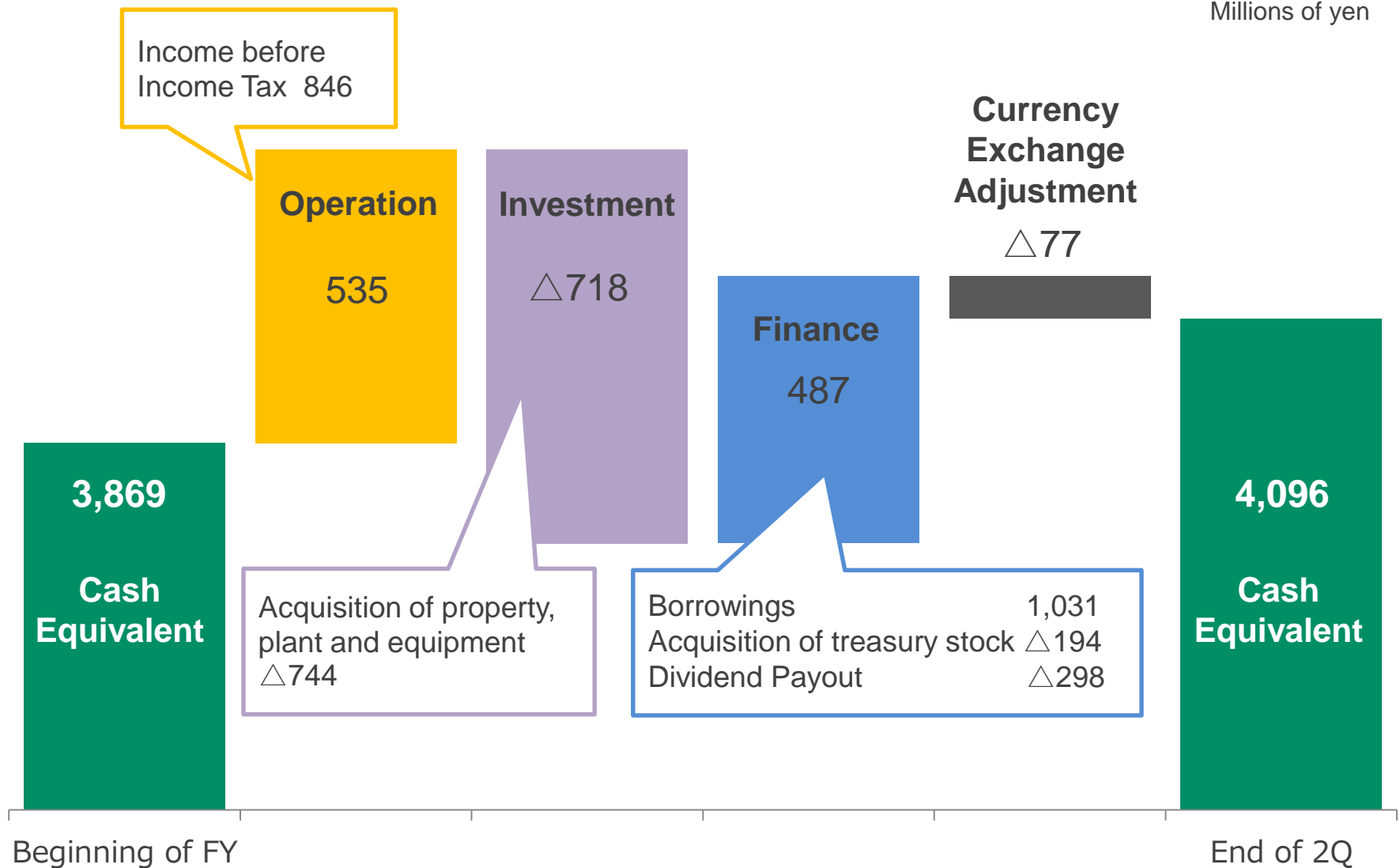
Account title	End of February 2022	End of August 2022	Increase/Decrease
Short-term Borrowings *	560	1,546	+986
Long-term Borrowings	350	382	+32
<b>Total Borrowings</b>	<b>910</b>	<b>1,927</b>	<b>+1,018</b>

<b>Interest-bearing Debt Ratio</b>	<b>3.1%</b>	<b>6.2%</b>
------------------------------------	-------------	-------------

\* Includes the current portion of long-term borrowings

# Cash Flow (Consolidated)

Millions of yen



	20/2Q	21/2Q	22/2Q
Earning Per Share	△9.35yen	144.92yen	53.94yen
Capital Ratio	57.9%	63.6%	60.9%
Ordinary Profit Ratio	0.5%	8.7%	5.8%
Reference: Number of shares (year-end)	9,697,000	9,697,000	9,697,000
Reference: Number of shareholders at the end of the period	16,416	16,003	15,176

# Consolidated Earnings Forecast



Millions of yen

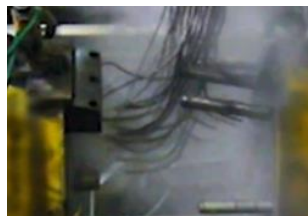
Account title	2022/2Q		FY2022 full year		
	Actual	Year-on-year change	Forecast	Progress rate	Year-on-year change
Net Sales	14,523	+8.7%	31,500	+3.3%	+15.4%
Operating Income	295	△68%	1,110	△40%	△23%
Ordinary Income	846	△27%	1,700	△23%	△16%
Net Income	504	△63%	1,000	△23%	△45%

# **Realization of a Sustainable Society**

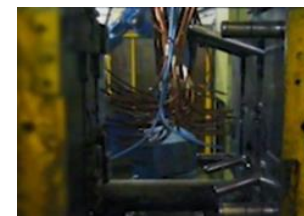
## Development of eco-friendly products

Water-soluble minimum quantity spray type lubricant

Conventional product



Minimum quantity spray type



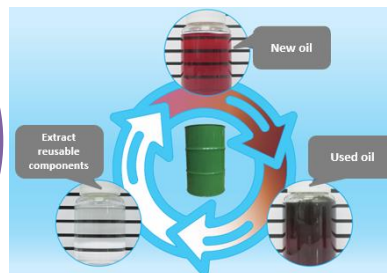
Biomass hotmelt

Hot Melt Adhesives that contain plant-based resin

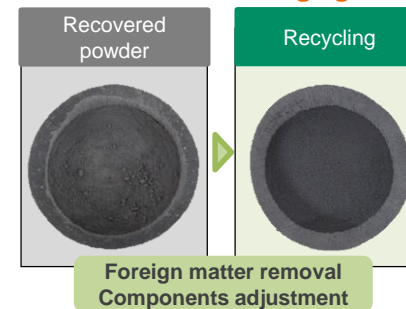
Product number	BM-546Z	BM-105	BM-568Z
Biomass percentage (%)	30 JIS S 200115	30 JIS S 200116	25 JIS S 200114
Main component	Synthetic rubber	Synthetic rubber	Synthetic rubber
Characteristics	Label for general products, strong adhesion and low bleeding	Compliant with FDA175.125 (can be directly affixed to food items)	Can be affixed to frozen and refrigerated products

Lubricant made from recycled materials

Water-glycol hydraulic fluid

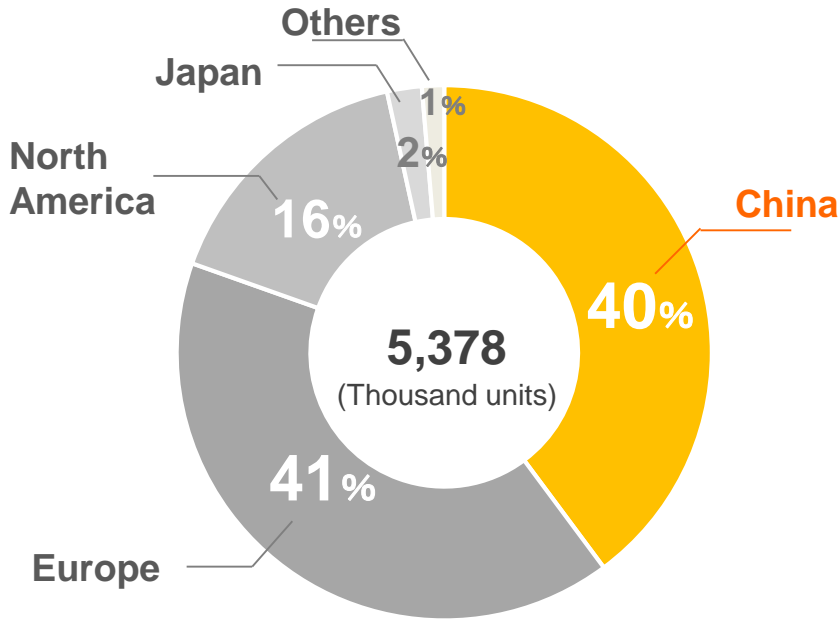


Powder releasing agent

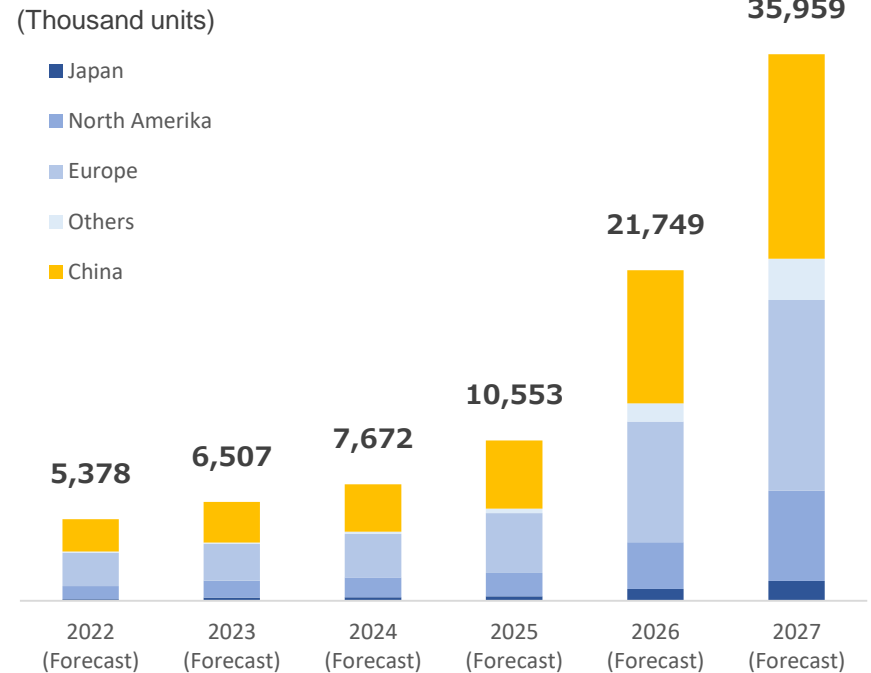


➤ Develop new products for lightweight materials in China, which is driving the new energy vehicle market, for global expansion.

## Sales volume forecast by area in 2022



## Sales Volume Forecast from 2022 to 2035



Source: In-house preparation based on "Worldwide Market Long-Term Outlook (2021)" by Fuji Keizai Co., Ltd.

\*The Chinese government classifies electric vehicles (EVs), plug-in hybrid vehicles (PHVs), and fuel cell vehicles (FCVs) as new energy vehicles.

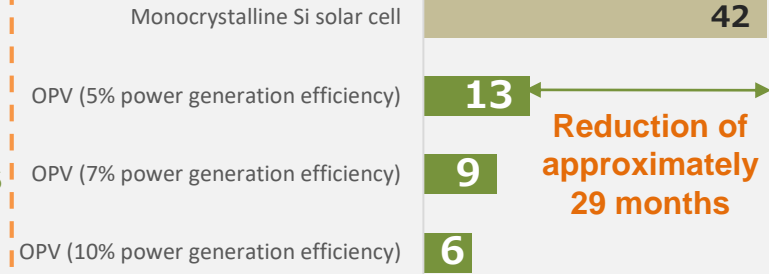


- OPVs reduce payback time\* to 1/3 that of Si solar cells, contributing to a reduction in environmental impact.

\*Payback period for CO2 generated from materials to production

- Working with universities to develop materials to improve power generation efficiency.

## CO2 payback time (in months)



Increase solar power generation in urban high-rise buildings when used in conjunction with Si solar cells.



**Building Middle Level:  
OPV (see-through)**  
Example of use:  
Auxiliary power supply for monitors



**Building Low-rise:  
OPV (print)**  
Example of use: electronic paper



It is used in the high radiation area of one of the world's leading accelerators.

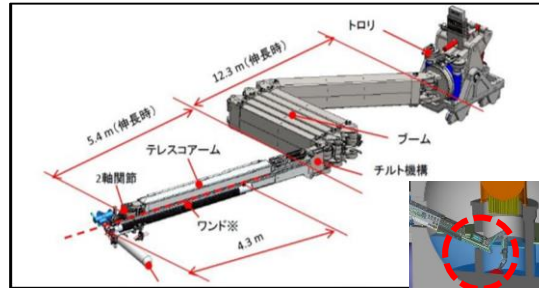


**CERN:** The world's longest accelerator with a total length of 28 km straddles the border between Europe/Switzerland and France



**ESS:** Europe/Sweden The world's most powerful beam accelerator

It is used in the decommissioning process at the Fukushima Daiichi Nuclear Power Station.

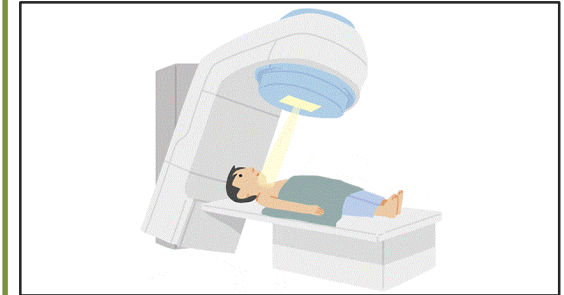


It is used in the moving parts of robots that retrieve fuel debris under high dose conditions.

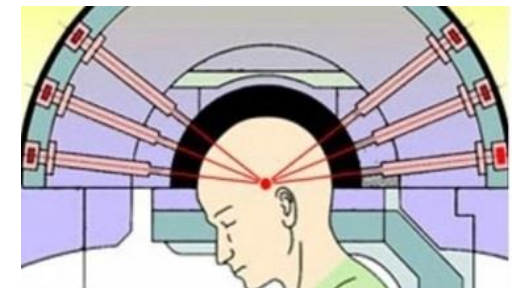


The 6th International Forum on the Decommissioning of the Fukushima Daiichi Nuclear Power Station

It supports the safe operation of advanced medical care.



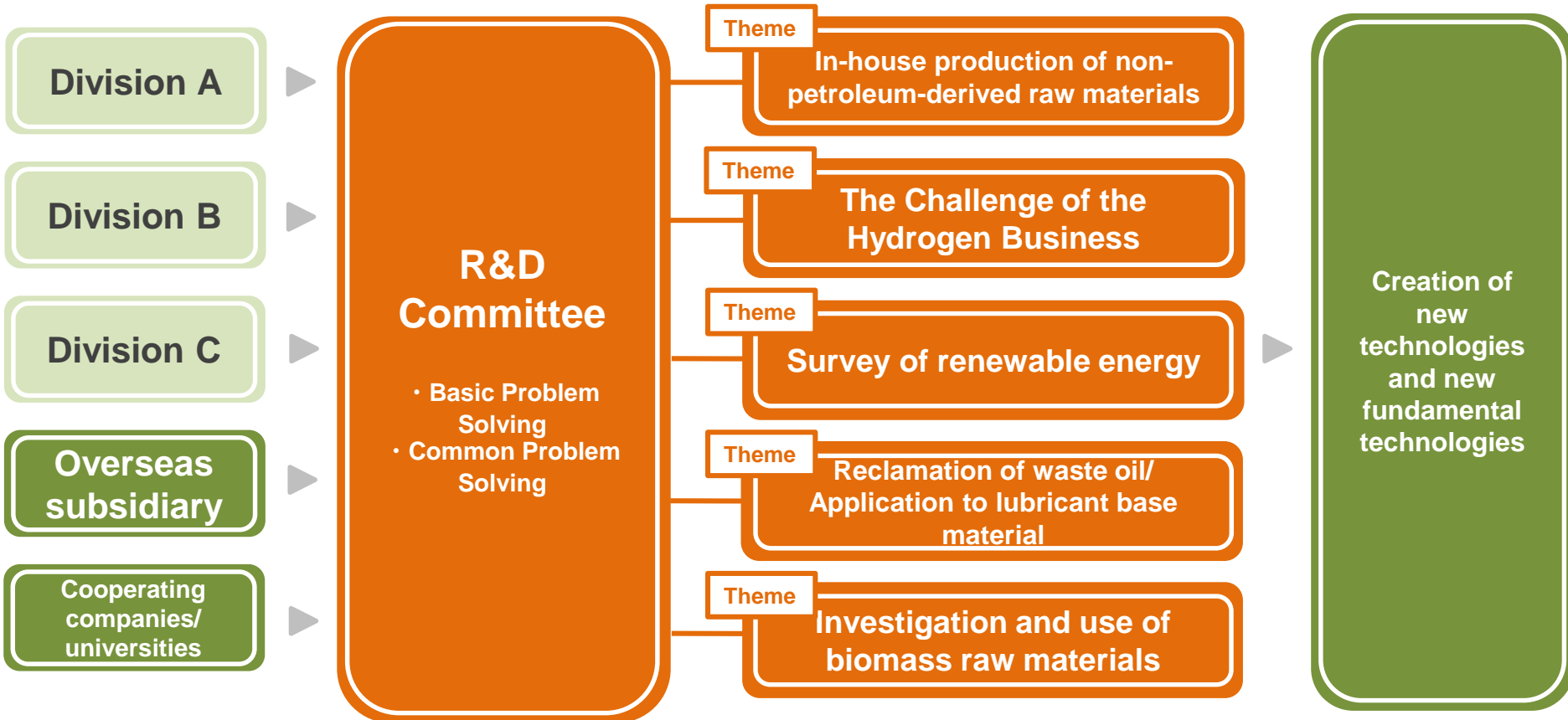
Radiation/quantum beam medical internal movable equipment set



A set of movable equipment inside a manufacturing facility for medical radioisotopes

# R&D system for solving social issues

Conventional: A development system for each business division that can quickly respond to the needs of each market  
+  
Newly established: A development meeting that crosses business divisions and collaborates within the company and with industry, government, and academia



## Current status:

Dissemination of gas & water vapor transmittance measurement device  
“MORESCO-SuperDetect”

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

Existing



New



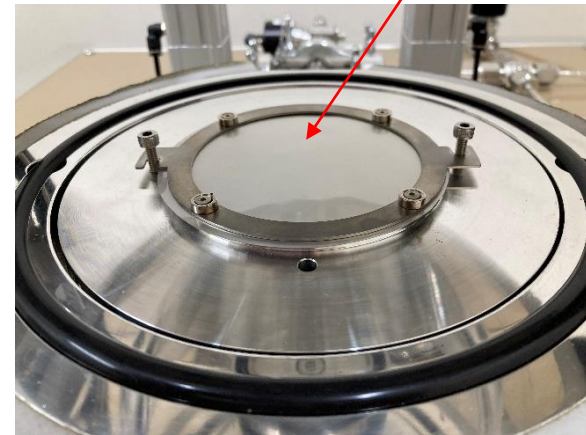
- Furthermore, we are developing a device specialized for hydrogen permeability measurement.

## Future:

Aiming to become a platformer for the development of substances for hydrogen

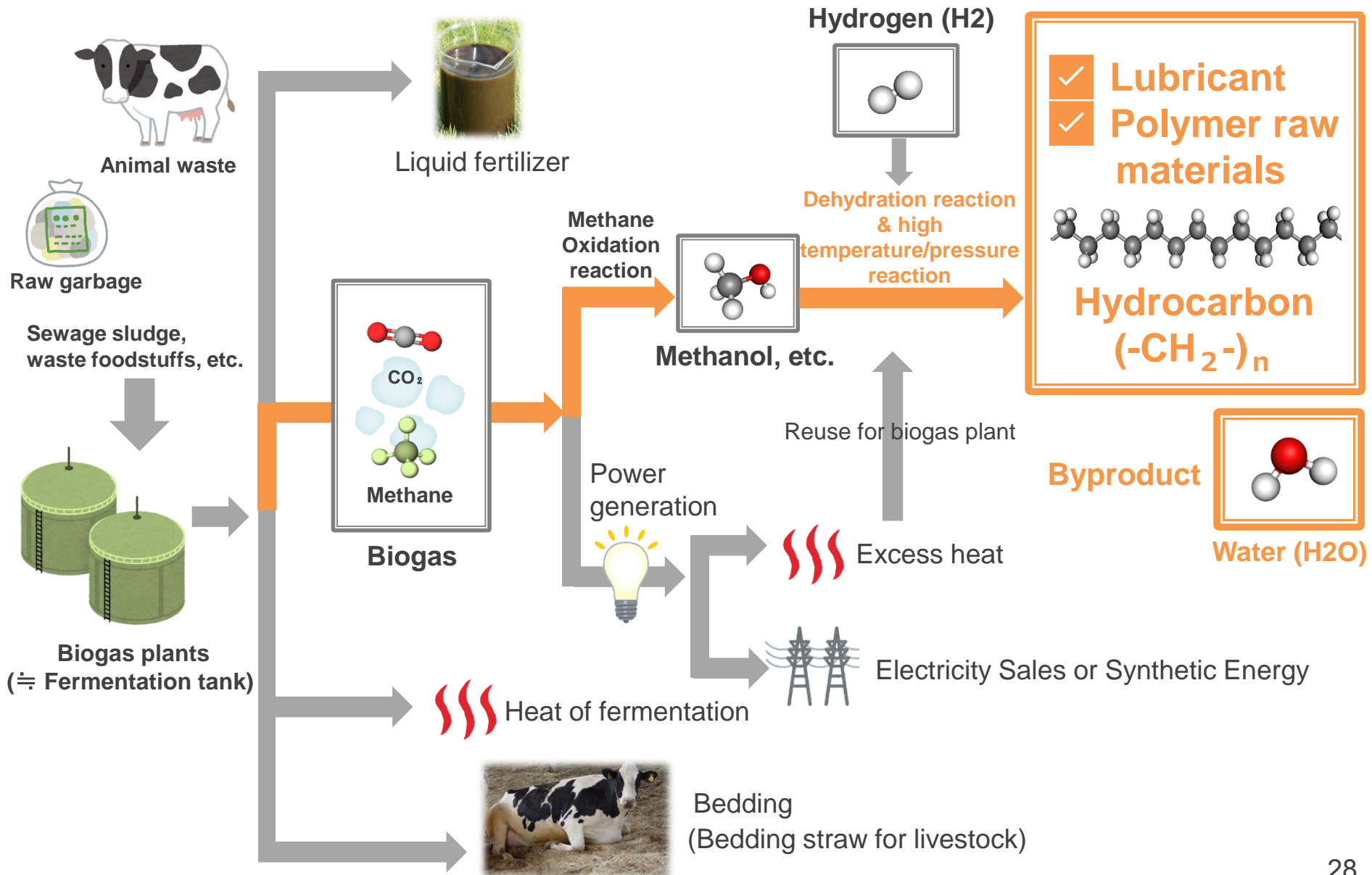
- We aim to standardize the industry by building a database of measurement results with calibration films that can derive accurate measurements with each manufacturer's equipment.

Calibration film



Measuring device with calibration film set

# Generation of petroleum materials from biomass resources



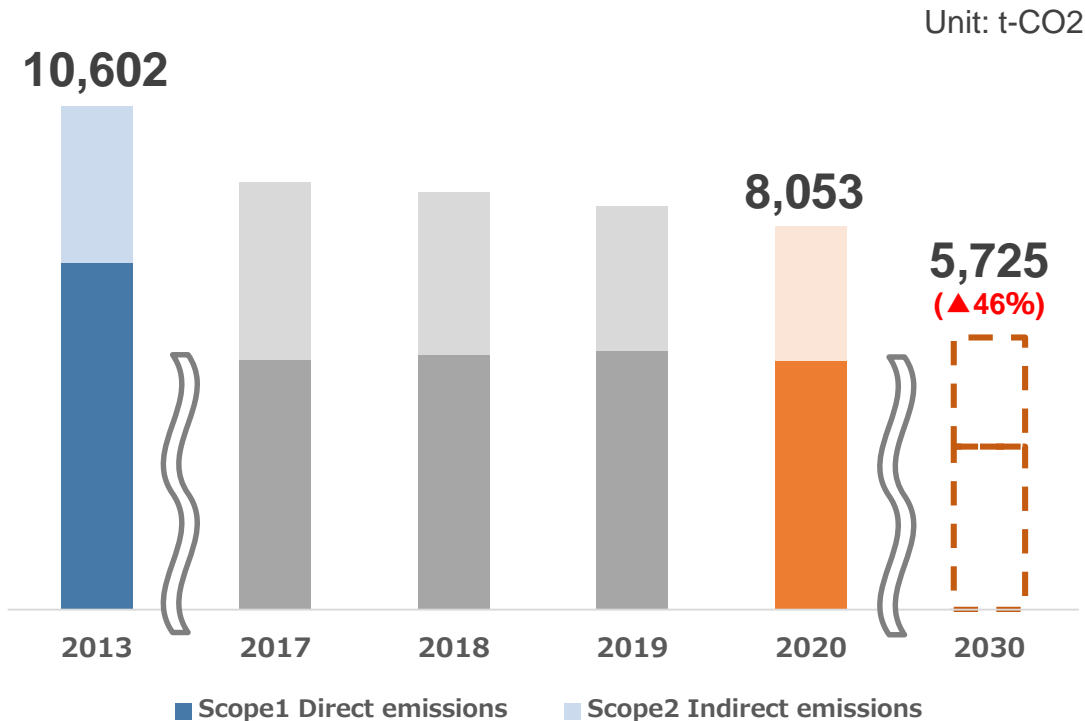
# Initiatives for decarbonization

- 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.
- We are working on setting our GHG emissions **Scope 3** targets to be released by the end of this quarter.



\*July 2022 Publication

## GHG emissions of the MORESCO Group (Japan)



### 2020 vs. 2013

Scope 1	▲ 28%
Scope 2	▲ 14%
<b>Total emissions</b>	<b>▲ 24%</b>



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

**Certified for two consecutive years**



\*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





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.

Investors are cautioned not to rely entirely on the forecasts and goals in this presentation when making investment decisions. MORESCO assumes no responsibility for any resulting losses. This presentation may not be copied or reused in any other way without the prior consent of MORESCO.