

MORESCO Corporation

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

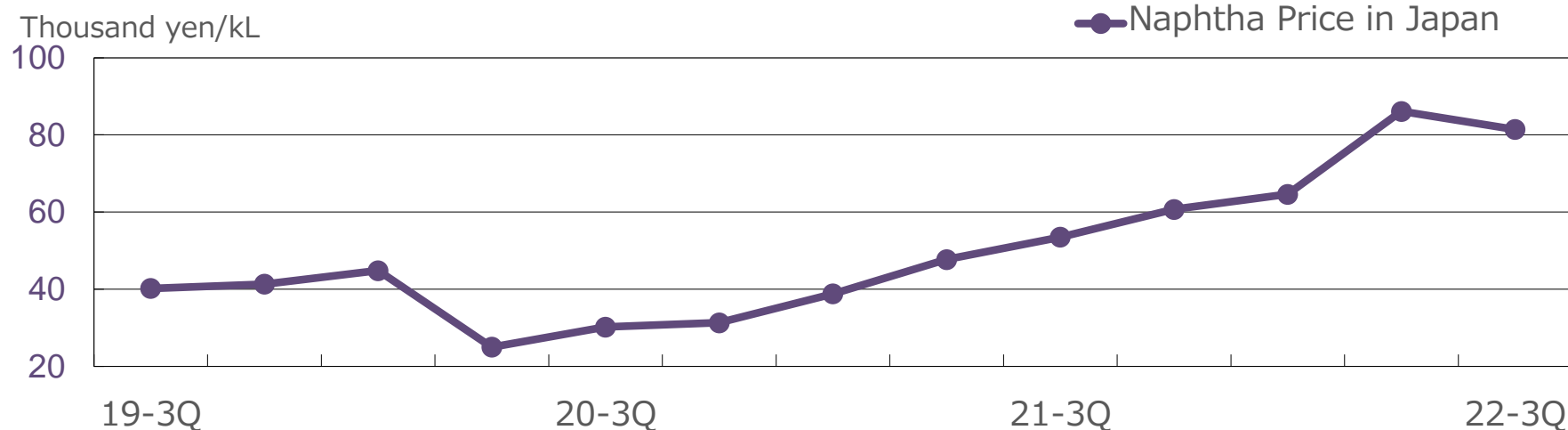
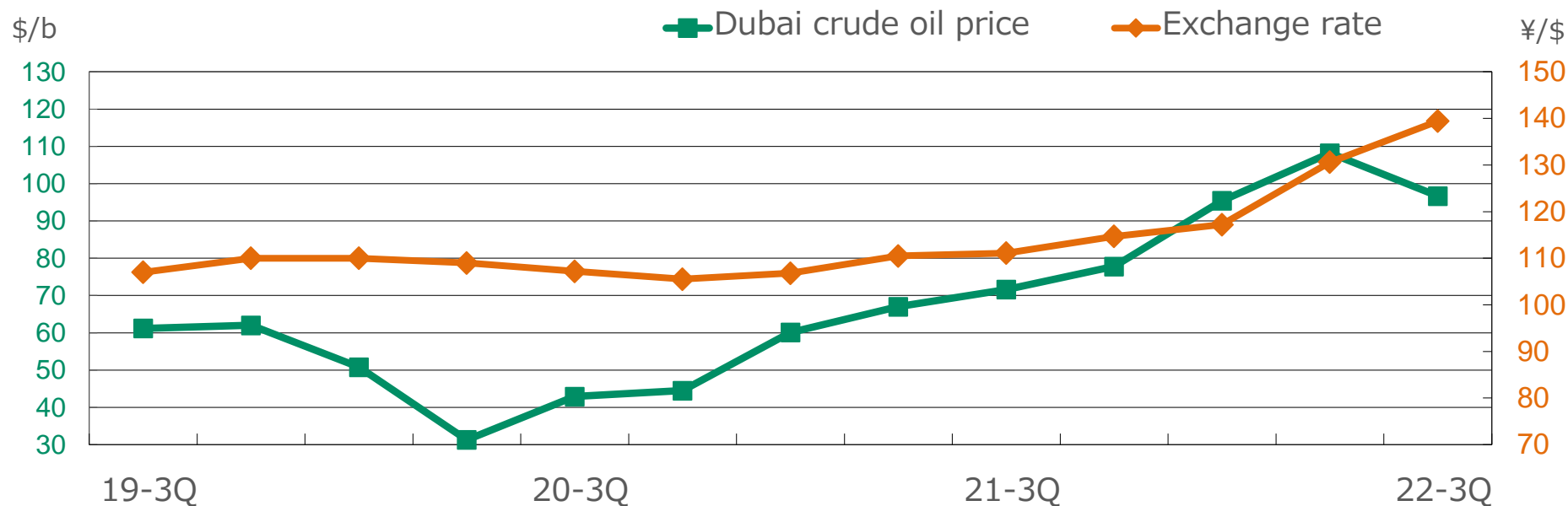
The 65th 3Q Financial Report

(From March 1, 2022 to November 30, 2022)

Tokyo Stock Exchange Prime Market 5018 (Petroleum and Coal Products)
January 2023

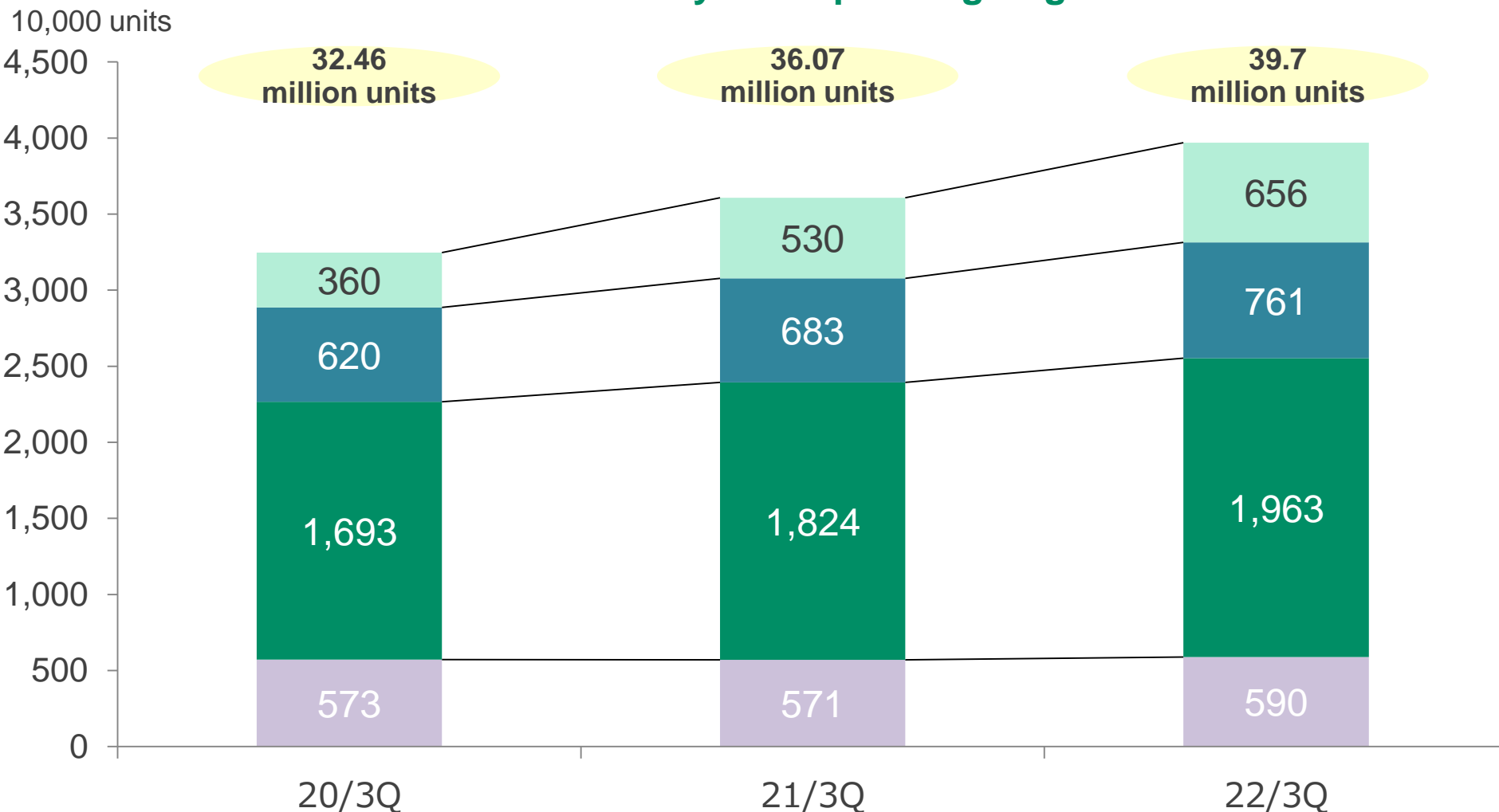
Business environment for the current period (1)

MORESCO



Car Production by Our Operating Region

Source: MarkLines Co., Ltd.



Notes:

① Japan is from March to November, and overseas is from January to September.

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

MORESCO

- Sales increased due to product sales price corrections, but profit margins declined due to further increases in raw material prices.

Millions of yen

Account title	21 / 3Q	22 / 3Q	Year-on-year change
Net Sales	20,415	22,479	+10.1%
Gross Profit	6,772	6,188	△8.6%
Selling, General and Administrative Expenses	5,397	5,677	+5.2%
Operating Income	1,375	511	△62.8%
Non-operating profit & loss	357	632	+77.1%
Ordinary Income	1,732	1,144	△34.0%
Extraordinary profit & loss	833	—	—
Income before Income Tax	2,565	1,144	△55.4%
Net Income *	1,730	719	△58.5%

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

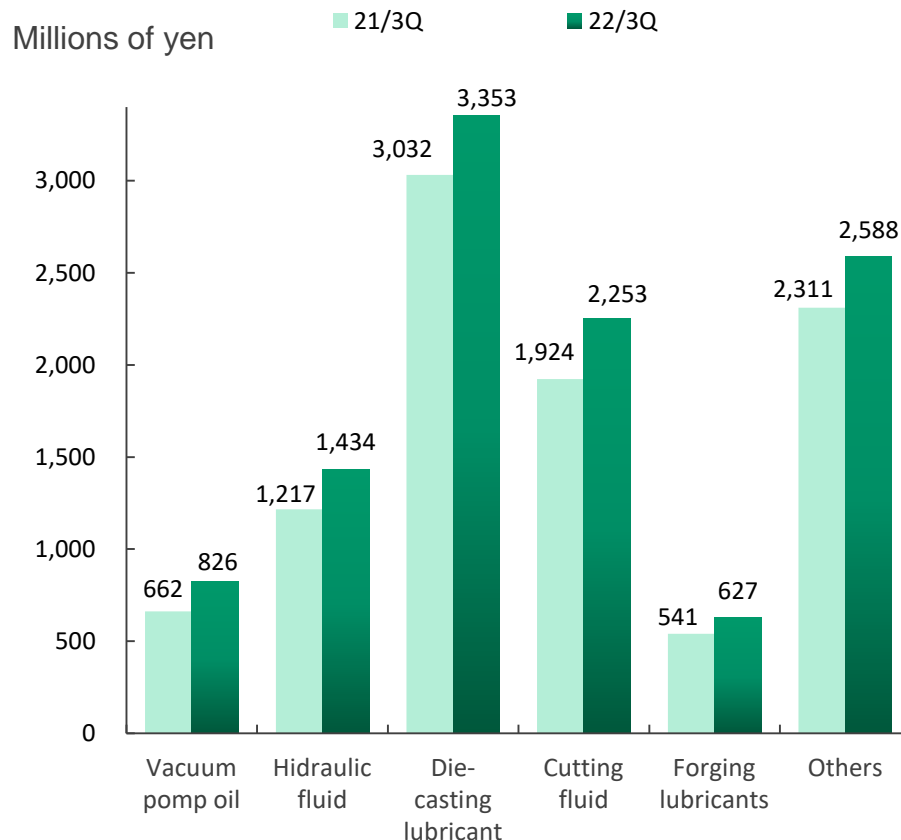
Breakdown of Sales by Division



Millions of yen

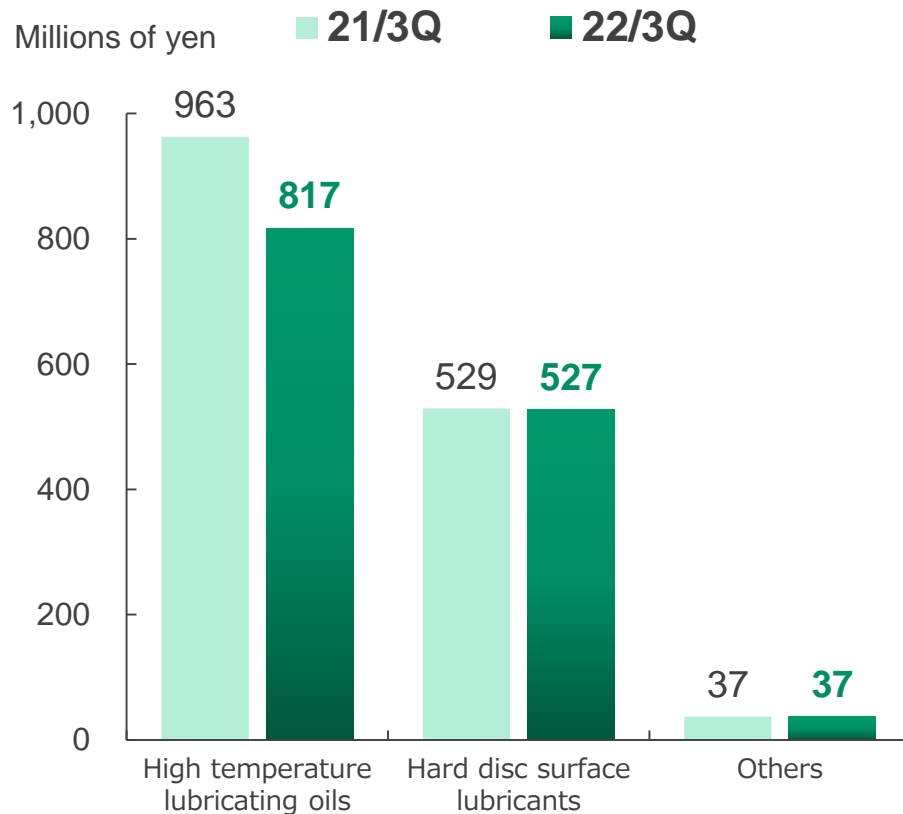
Account title	21 / 3Q	22 / 3Q	Year-on-year change
Functional Fluids	9,687	11,081	+14.4%
Synthetic Lubricants	1,529	1,381	△9.7%
(HD Surface Lub)	529	527	△0.5%
Liquid Paraffin & Sulfonates	2,579	2,849	+10.5%
Hot Melt Adhesive	5,086	5,801	+14.1%
Other	1,526	1,368	△10.4%
Chemical Products TTL	20,407	22,479	+10.2%
Rental Building Business	8	—	—
Total Net Sales	20,415	22,479	+10.1%

- **Sales increased by 14.4% year-on-year (11,081 million yen)**
Sales volume decreased by 0.3%



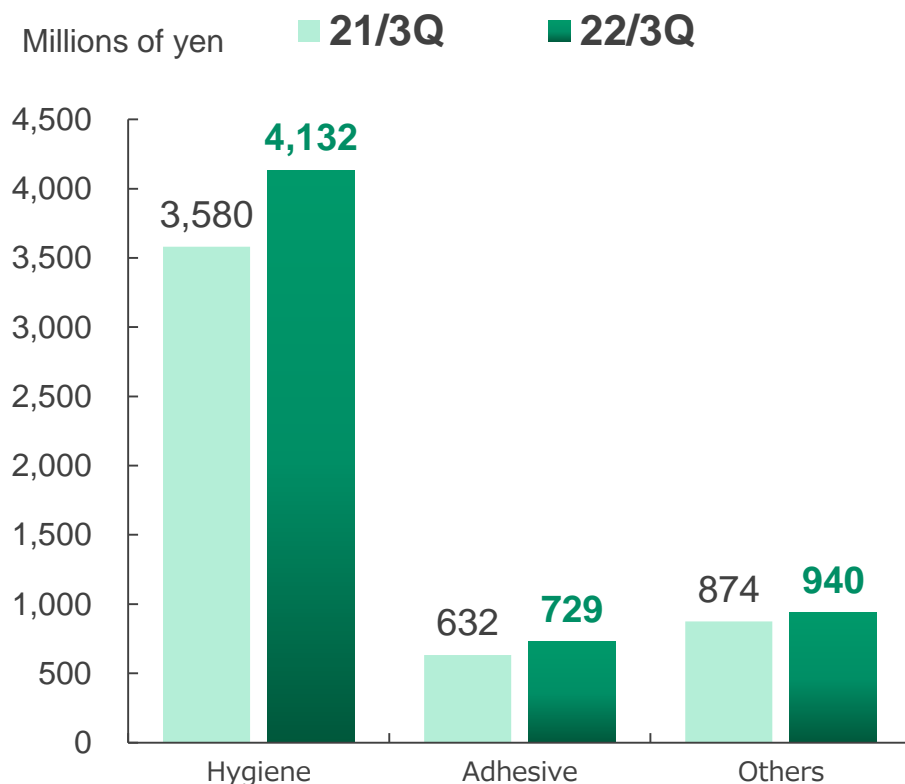
- Unit prices rose due to sales price corrections.
- In terms of volume, the decline in die casting fluids will be covered by the recovery in demand for fire-resistant hydraulic fluid and new sales expansion of cutting fluids.

➤ **Sales decreased by 9.7% year-on-year (1,381 million yen)**



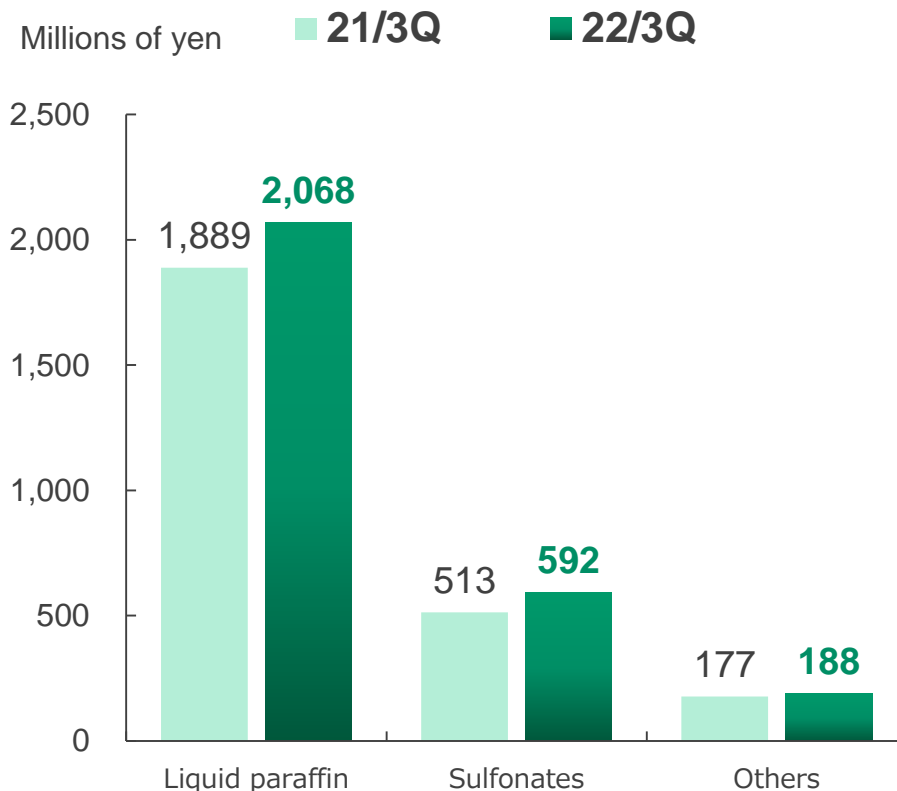
- High temperature lubricating oils
Sales declined due to the impact of inventory adjustments by customers.
- Hard disc surface lubricants
Sales were on par with the same period last year.

- **Sales increased by 14.1% year-on-year (5,801 million yen)**
Sales volume increased by 7.9%



- 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.

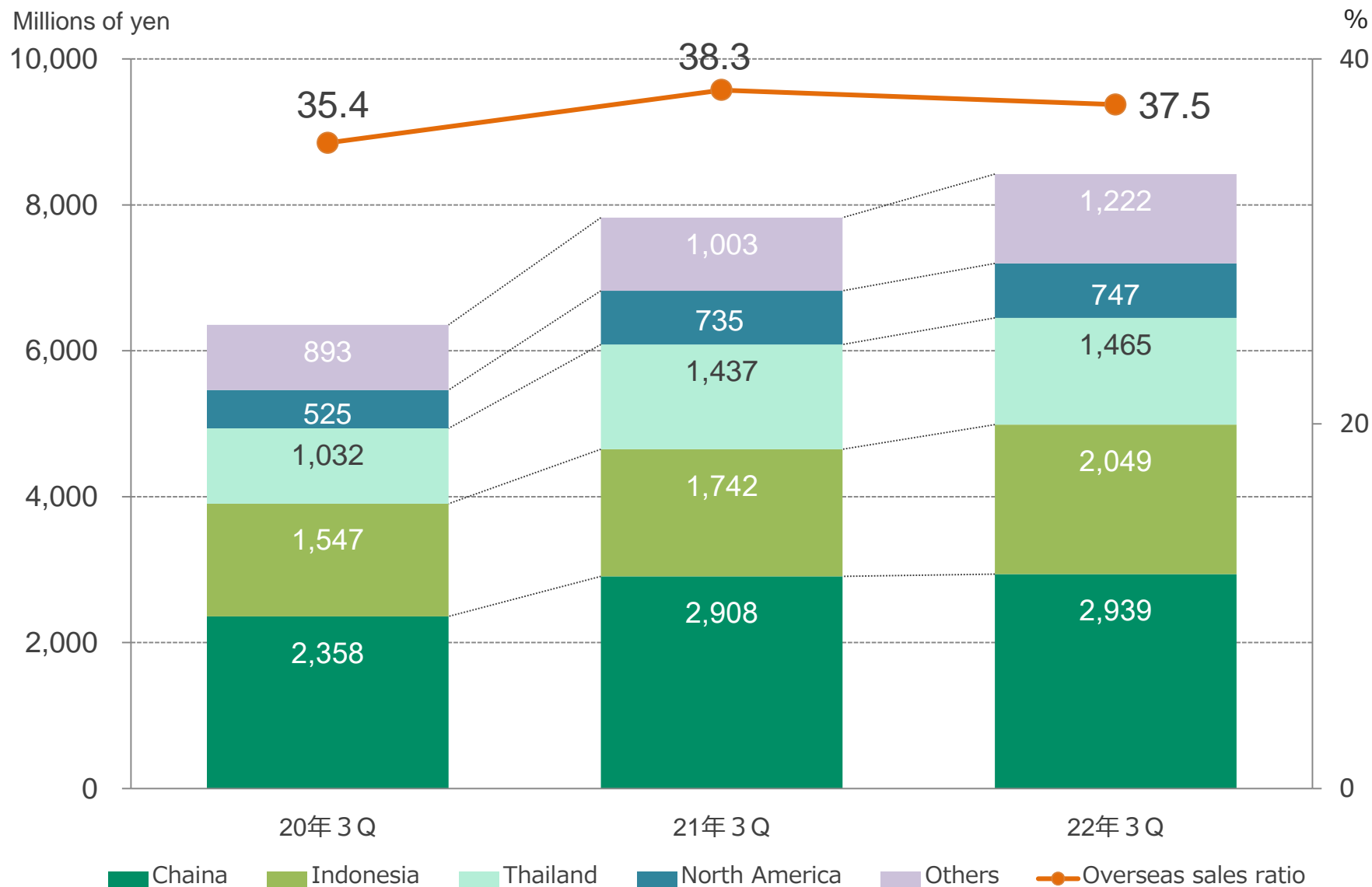
- **Sales increased by 10.5% year-on-year (2,849 million yen)**
Sales volume increased by 5.0%



- Unit prices rose due to sales price corrections.
- Shipment of liquid paraffin for polystyrene plasticizers decreased.

Overseas Sales (Consolidated)

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Consolidated Income Statement

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Millions of yen

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MORESCO

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Selling, General and Administrative Expenses

MORESCO

Millions of yen

	21/3Q	22/3Q	Increase/ Decrease	Year-on-year change
Selling, General and Administrative Expenses (include R&D Expenses)	5,397	5,677	+280	+5.2%
R&D Expenses	1,002	950	△52	△5.2%
SGA Ratio	26.4%	25.3%		
Ratio of R&D Expenses to Sales	4.9%	4.2%		

Consolidated Income Statement

MORESCO

Millions of yen

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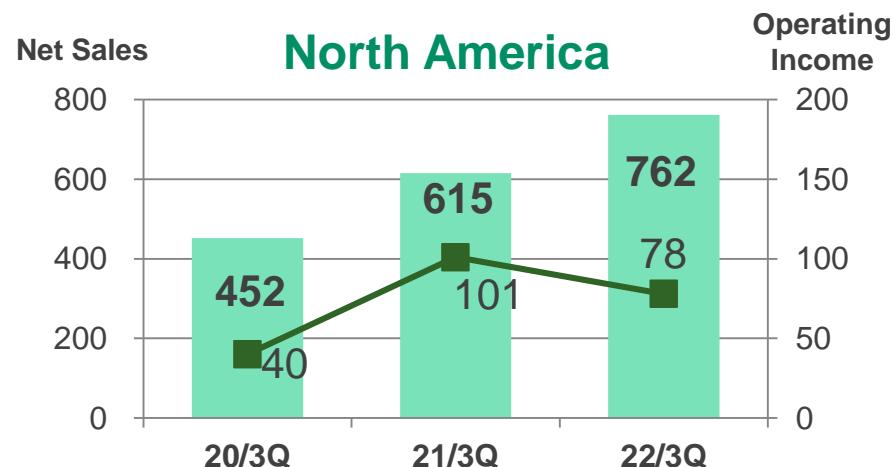
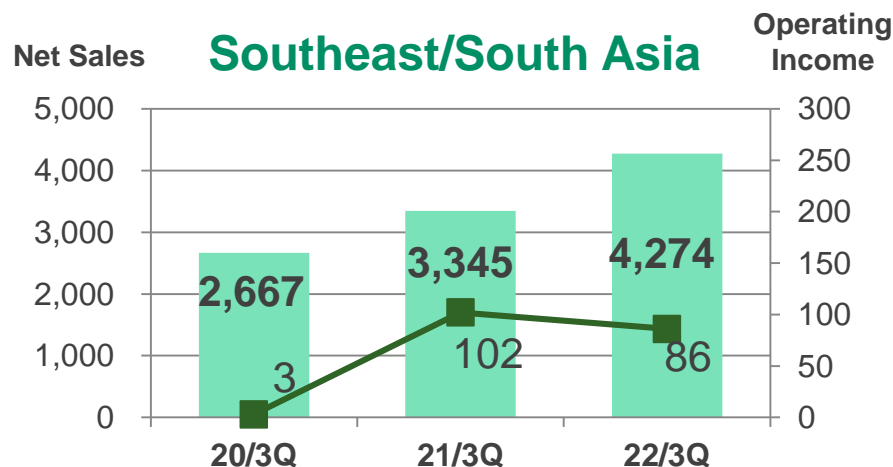
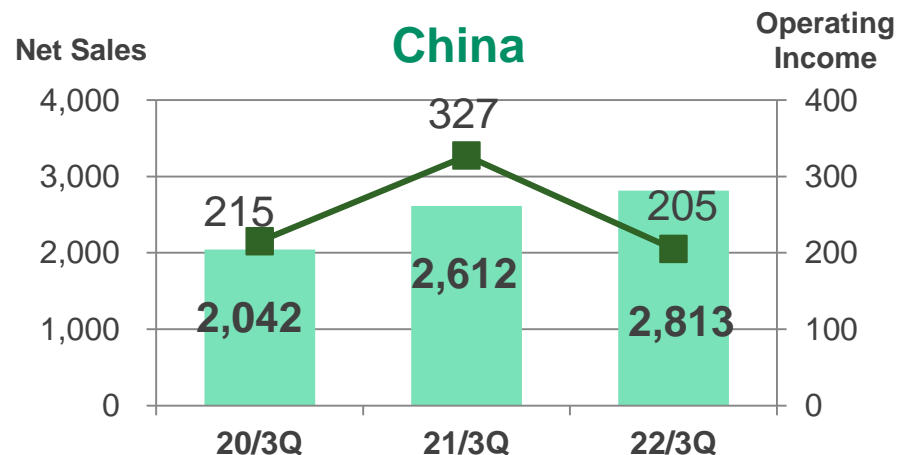
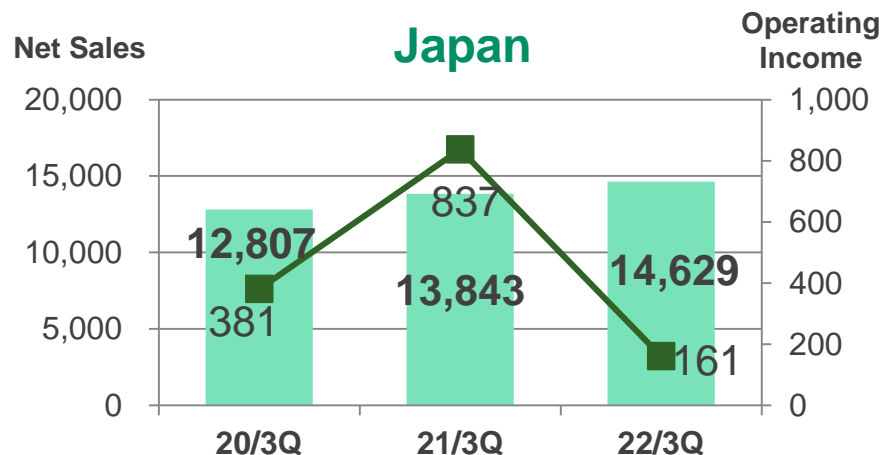
* Net income attributable to owners of parent. The same applies hereafter.

Profit and Loss by Regional Segment (Consolidated)

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■ Sales to external customers ■ Operating Income

Millions of yen



Balance Sheet (Consolidated)



Millions of yen

Account title	22/3Q	Increase/ Decrease	Account title	22/3Q	Increase/ Decrease
Cash & Deposit	4,172	171	Trade Payable	5,174	866
Notes and accounts receivable	7,831	987	Interests bearing debt (Current)	1,856	946
Inventories	6,311	985	Other Current Liabilities	2,244	△149
Other	613	176	Other Noncurrent Liabilities	835	△12
Current Assets	18,928	2,321	Total Liabilities	10,108	1,652
Property, Plant and Equipment	8,537	233	Capital Stock ・ Capital Surplus	4,094	—
Intangible Assets	643	10	Retained Earnings	13,864	346
Investments and Others	3,820	355	Treasury Stock	△567	△183
Fixed Assets	13,001	600	Accumulated Other Comprehensive Income	1,625	890
			Non-Controlling Interest	2,804	215
			Total Net Assets	21,820	1,269
Total Assets	31,929	2,920	Total Liability & Assets	31,929	2,920

Interest-bearing Debt



Millions of yen

Account title	End of February 2022	End of November 2022	Increase/Decrease
Short-term Borrowings *	560	1,549	+989
Long-term Borrowings	350	307	▲ 43
Total Borrowings	910	1,856	+946

Interest-bearing Debt Ratio	3.1%	5.8%
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* Includes the current portion of long-term borrowings

Consolidated Earnings Forecast for FY2022



Millions of yen

Account title	2022/3Q	Full-year forecast for FY2022	Progress rate
Net Sales	22,479	31,500	71.4%
Operating Income	511	1,110	46.0%
Ordinary Income	1,144	1,700	67.3%
Net Income	719	1,000	71.9%

Realization of a Sustainable Society

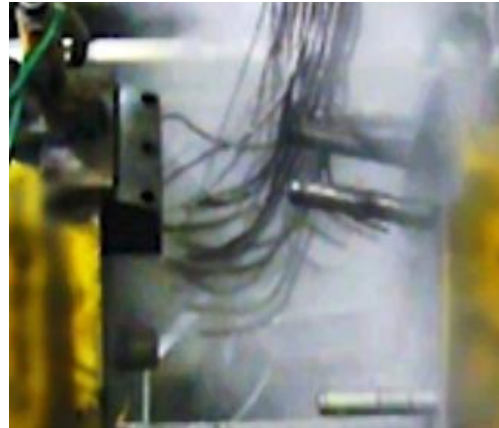
-Contribute to reducing environmental impact-

Water-soluble minimum quantity spray type lubricant

- **Contributes to reducing waste liquid and extending the life of molds by applying a very small amount**

- ✓ **1/100** coating amount of conventional products
- ✓ **Environmental improvement** by preventing droplets
- ✓ **Significant improvement in cycle time**

Conventional product

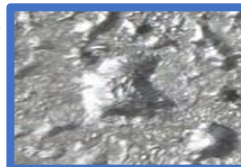
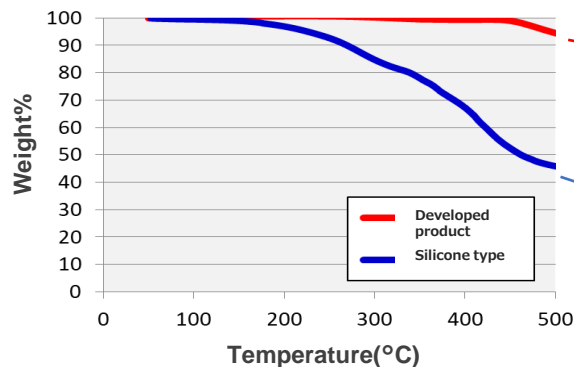


Developed product



- **Can be used for aluminum parts of new energy vehicles due to low gas and low corrosiveness**

Comparison of gas volume between developed product and silicone type



New aluminum alloy compatibility test

Conventional product



Developed product



Water-soluble cutting fluid monitoring system

- IoT monitoring device remotely manages and automatically adjusts pH and concentration of cutting fluid

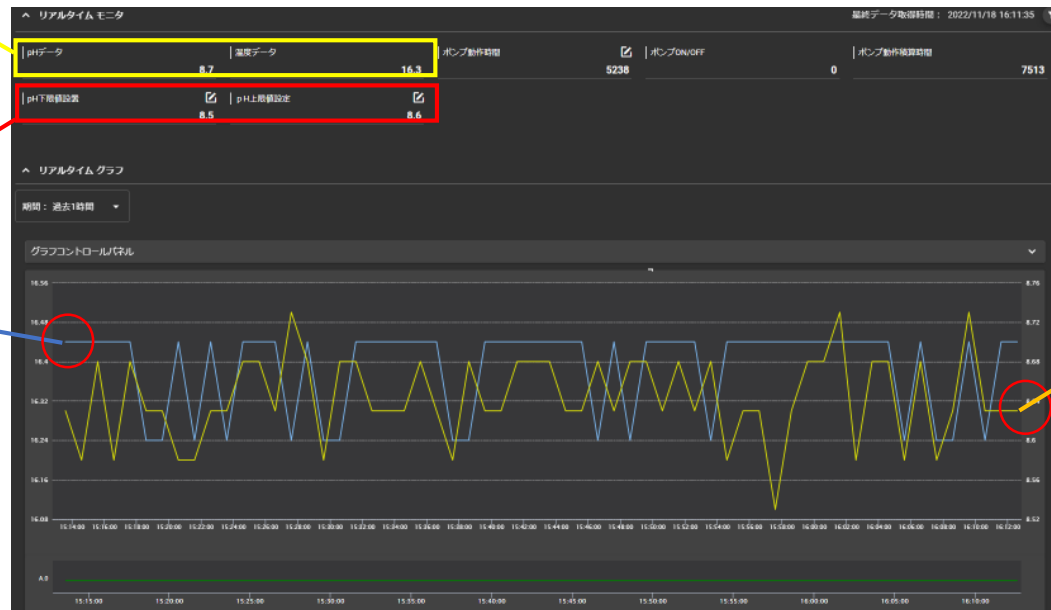


Monitor screen

Real time value
(pH value/
Temperature)

pH setpoint
(Lower limit/
Upper limit)

pH value



Temperature

- ◆ Temperature and pH values can be constantly monitored using a computer or smartphone.
- ◆ Automatically adjusts the pH value to the appropriate value.
- ◆ Suppresses corrosion, rust, and discoloration of cutting fluid, contributing to longer life.

➤ Environment-related business company (MORESCO Group)

MATSUKEN CO., LTD

From "cleaning of machines and parts" to
"treatment of washing wastewater"
in various industries

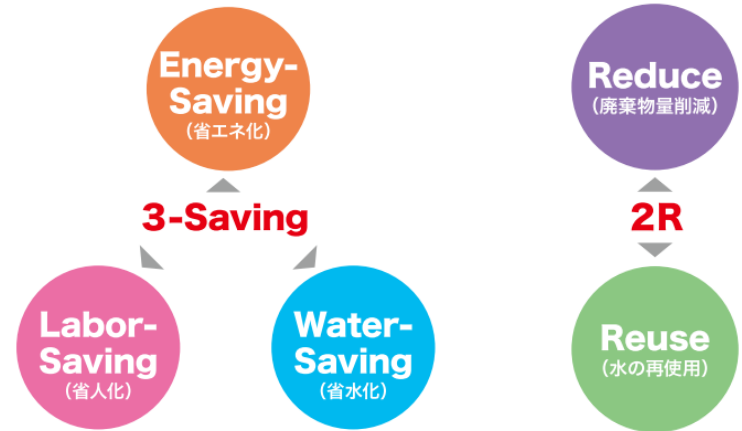
Device



Cleaning agent
/treatment agent



Technical consulting



➤ Case study

Waste water with high concentration of
water soluble cutting fluids

The entire amount was disposed
of as industrial waste, but we were
able to reduce it to **1/5** of the
concentrated liquid disposal.



Initiatives for the Circular Economy

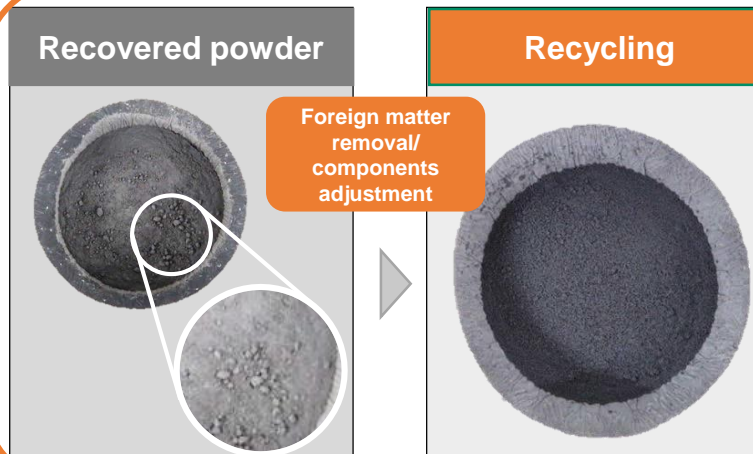
Conventional efforts

- 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.



➤ Hot melt adhesives containing plant-derived resins

Product number	BM-546Z	BM-105	MORESCO-MELT Biomass 25A		
			BM-508	TN-529	TN-579Z
Biomass percentage (%)	 バイオマス No.200115	 バイオマス No.200116	 バイオマス No.200114		
Main Composition	Synthetic rubber	Synthetic rubber	Synthetic rubber	Synthetic rubber	Synthetic rubber
Characteristics	For general-purpose labels, strong adhesion and low bleeding	FDA 175.125 compliant (Can be applied directly to food products)	Can be affixed to frozen and refrigerated products	Can be affixed to refrigerated products Good die-cut property	medium adhesion generic product Oil bleed good

➤ NYBRINE based on plant-derived glycol

Product name : Bio NYBRINE FPD

Main Composition : 100% plant-derived glycol 1,3-propanediol

Characteristics : It has lower viscosity at low temperatures and higher stability against heat than products using propylene glycol (derived from petroleum).

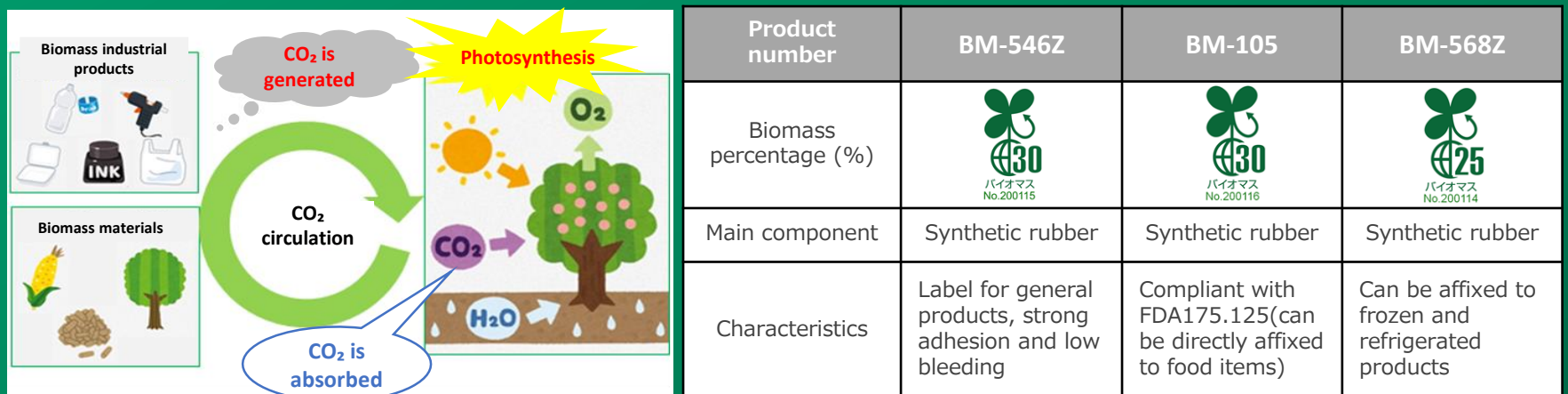
Use : It is used as antifreeze in public facilities, food factories, geothermal heat utilization systems, etc.



Efforts to promote biomass conversion

➤ 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).



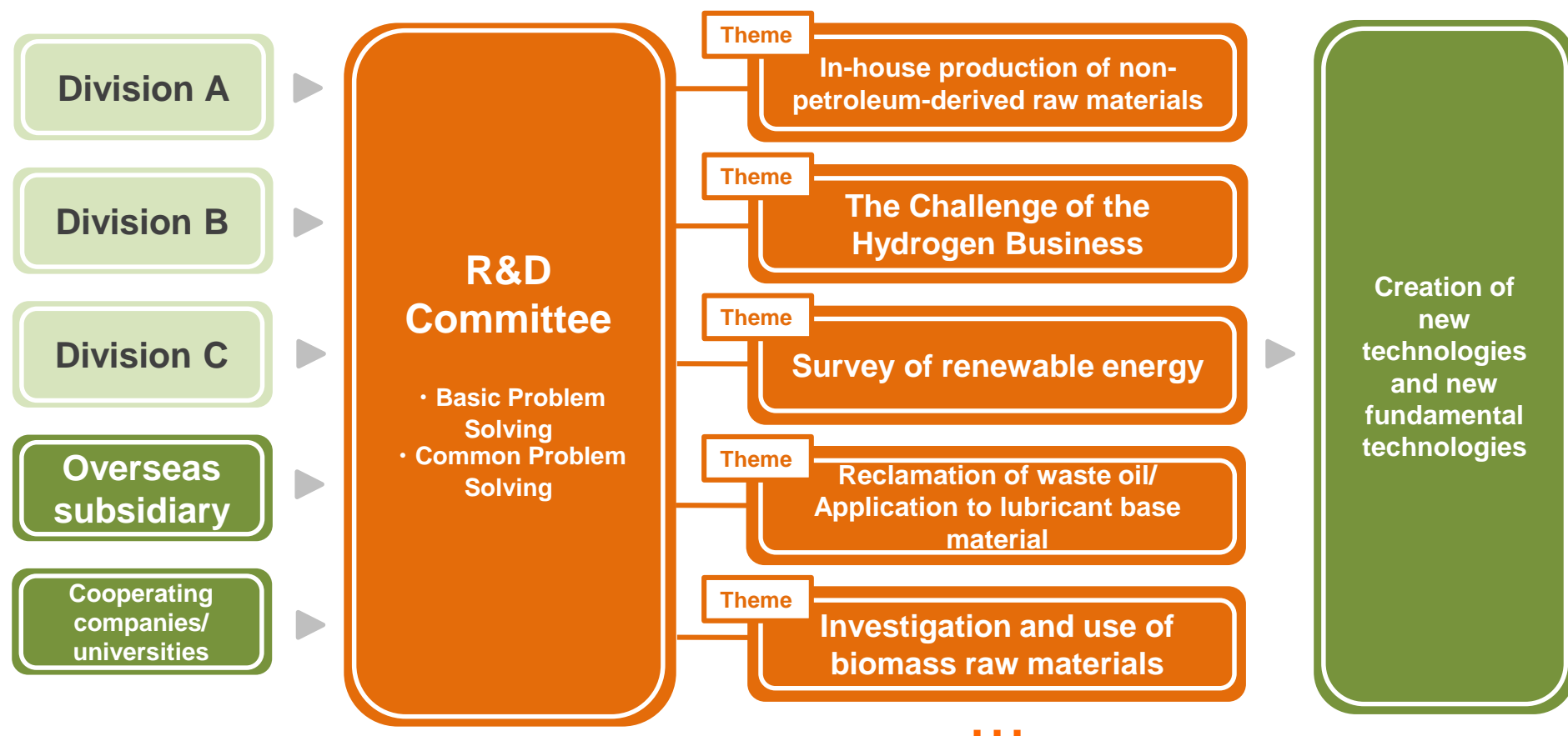
- Three hot melt adhesive product numbers have been certified as biomass mark products by the Japan Organics Recycling Association.
- We have also developed a hot-melt adhesive for sanitary products used in disposable diapers, etc., which contains 20-40% of plant-derived resin.

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



Initiatives for decarbonization

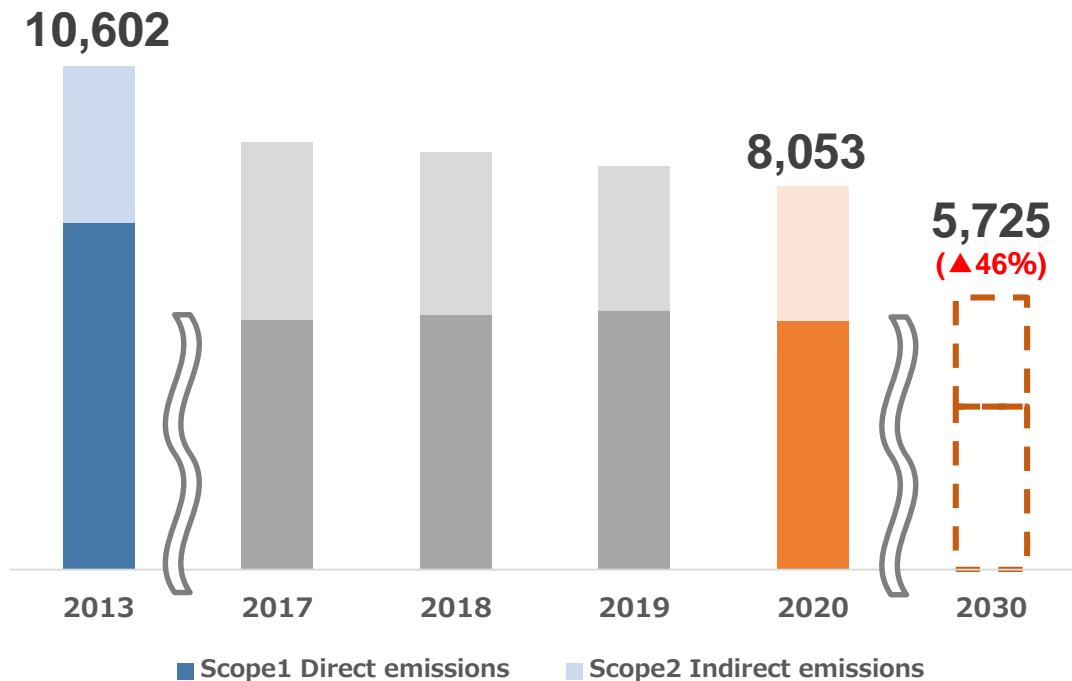
- By **2030**, we aim to reduce GHG emissions by **46%** from our own energy consumption (compared to 2013) .
- We aim to be **carbon neutral** by **2050**, including our supply chain.
- We are working on setting our GHG emissions **Scope 3** targets to be released by the end of this quarter.



November 11, 2022
Expression of support

GHG emissions of the MORESCO Group (Japan)

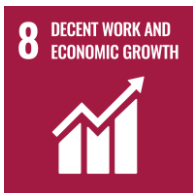
Unit: t-CO2



vs. 2013

2021

▲ 24%



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



Head Office/R&D Center



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MORESCO Corporation

2023/1/18

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