

MORESCO Corporation

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

The 65th Term Financial Report

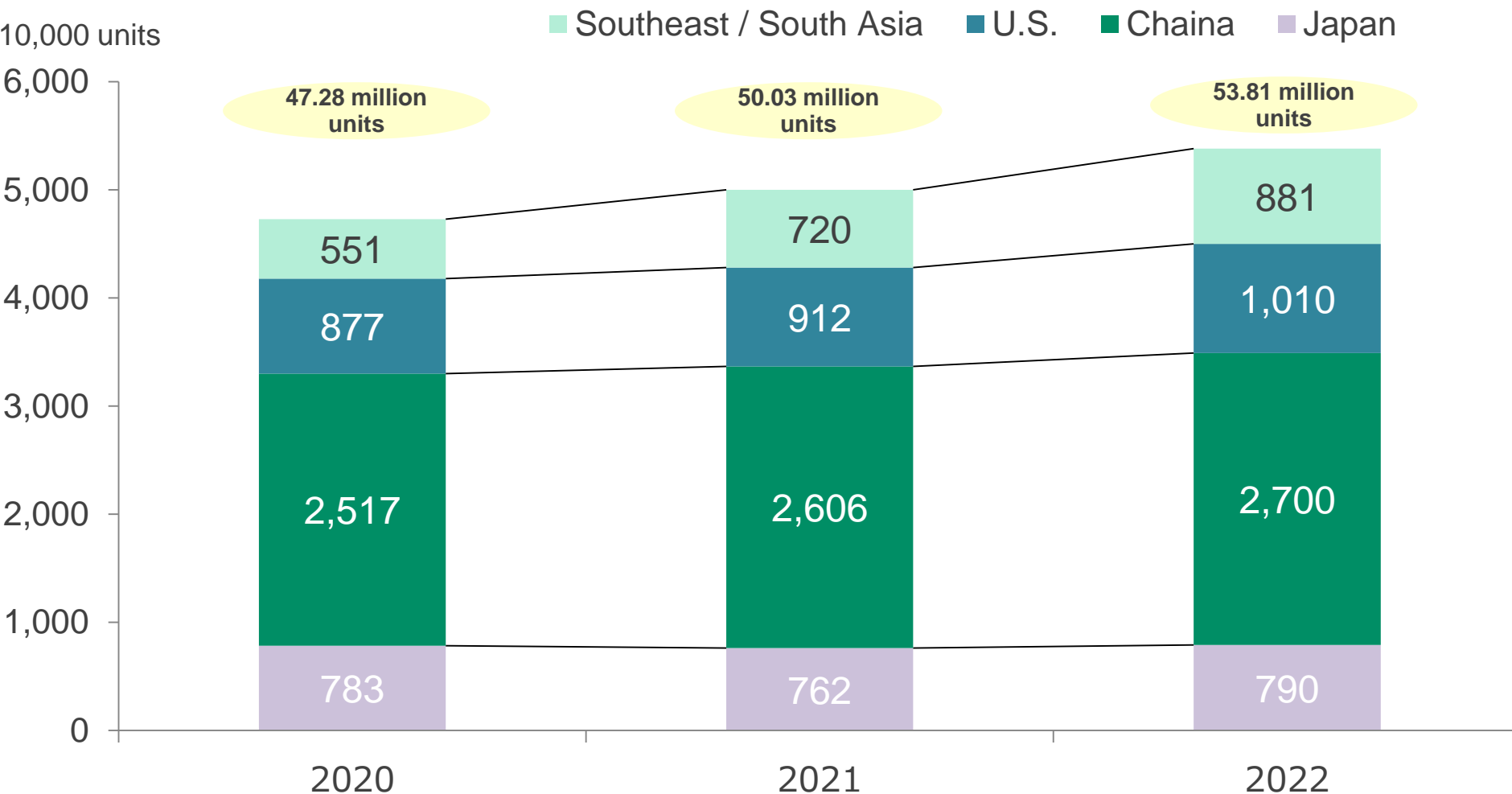
(From March 1, 2022 to February 28, 2023)

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

April, 2023

Car Production in The Area where Our Base is Located

Source: MarkLines Co., Ltd.

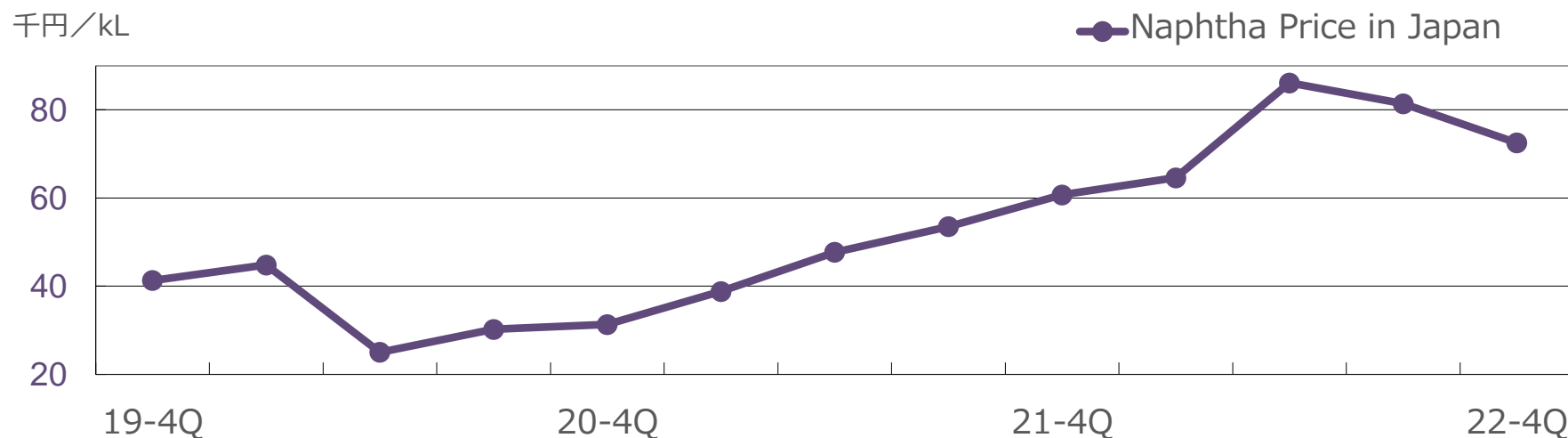
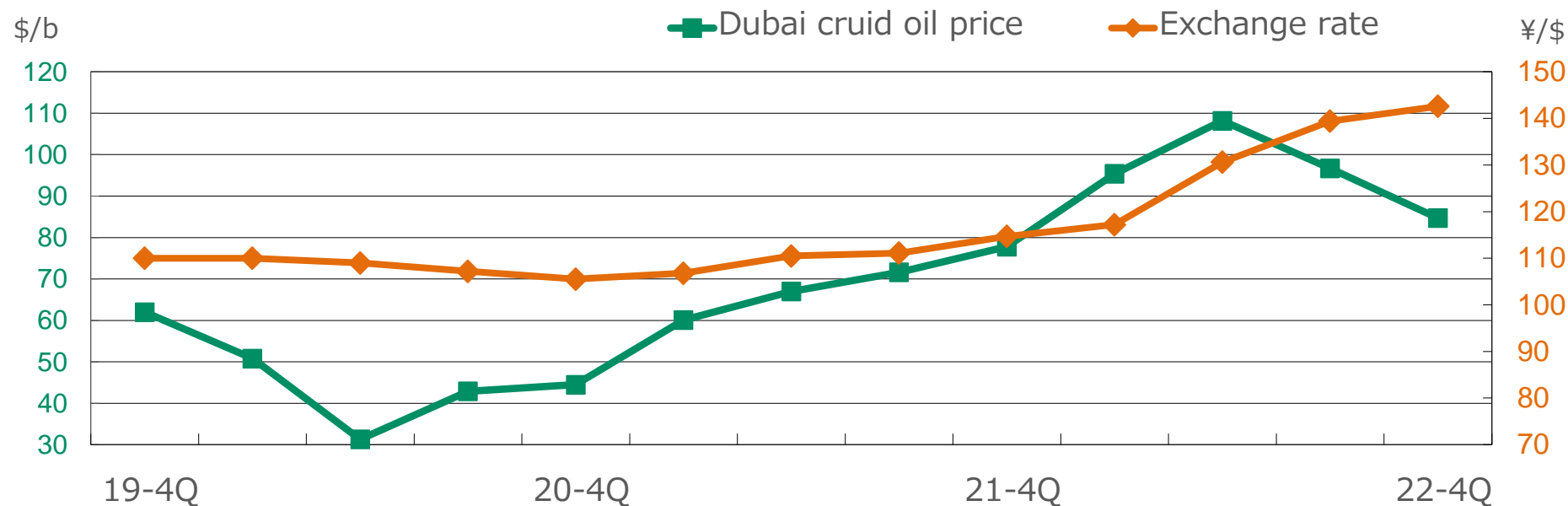


Notes:
① Japan is from March to February, and overseas is from January to December.

② Southeast / South Asia aggregates Thailand, Indonesia, and India.
(Location of our manufacturing and sales base)

Business environment for the current period (2)

MORESCO



Consolidated Income Statement



- Sales increased due to corrections to sales prices due to soaring raw material prices, but sales decreased due to the time lag in passing on costs and the loss of extraordinary income from the previous fiscal year.

Millions of yen

Account title	FY2021	FY2022	Year-on-year change
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%

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

Breakdown of Sales by Division



Millions of yen

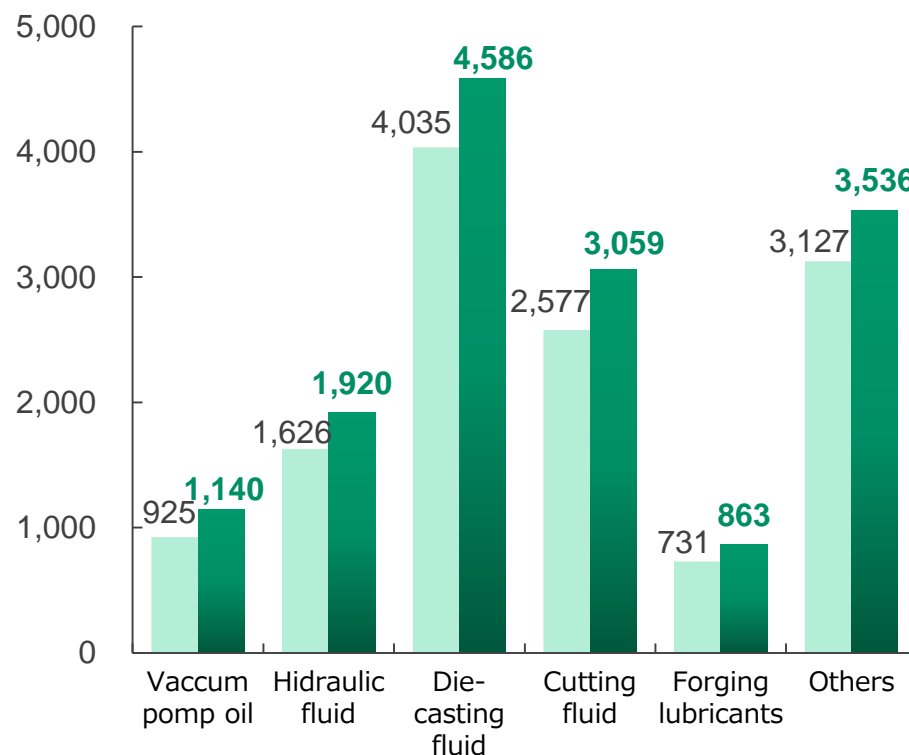
Account title	FY2021	FY2022	Year-on-year change
Functional Fluids	13,021	15,105	+16.0%
Synthetic Lubricants	1,974	1,703	△13.7%
(HD Surface Lub)	678	613	△9.7%
Liquid Paraffin & Sulfonates	3,480	3,793	+9.0%
Hot Melt Adhesive	6,785	7,664	+13.0%
Other	2,031	2,068	+1.8%
Chemical Products TTL	27,292	30,333	+11.1%
Rental Building Business	8	—	—
Total Net Sales	27,300	30,333	+11.1%

- **Sales increased by 16.0% year-on-year (15,105 million yen)**
Sales volume decreased by 1.0%

Millions of yen

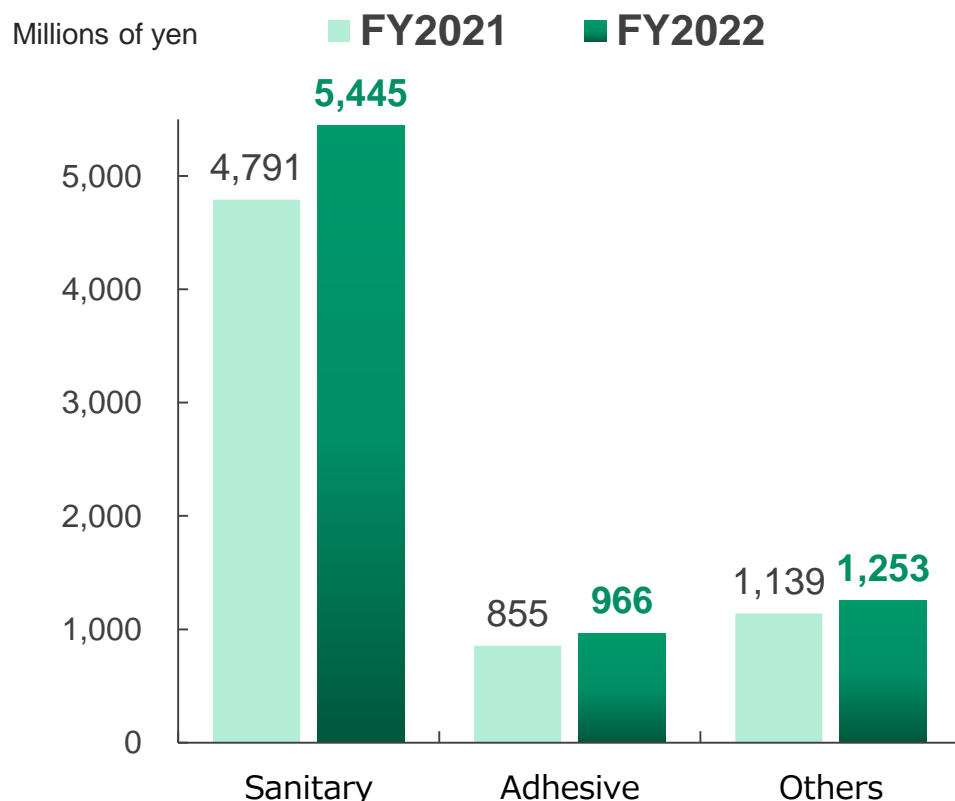
■ FY2021

■ FY2022



- **Japan**
Volume decreased due to the impact of the decrease in automobile production by major customers.
- **Abroad**
In Southeast Asia, the volume increased due to market recovery from the second half.
Volume in China remained at the same level as the previous term.

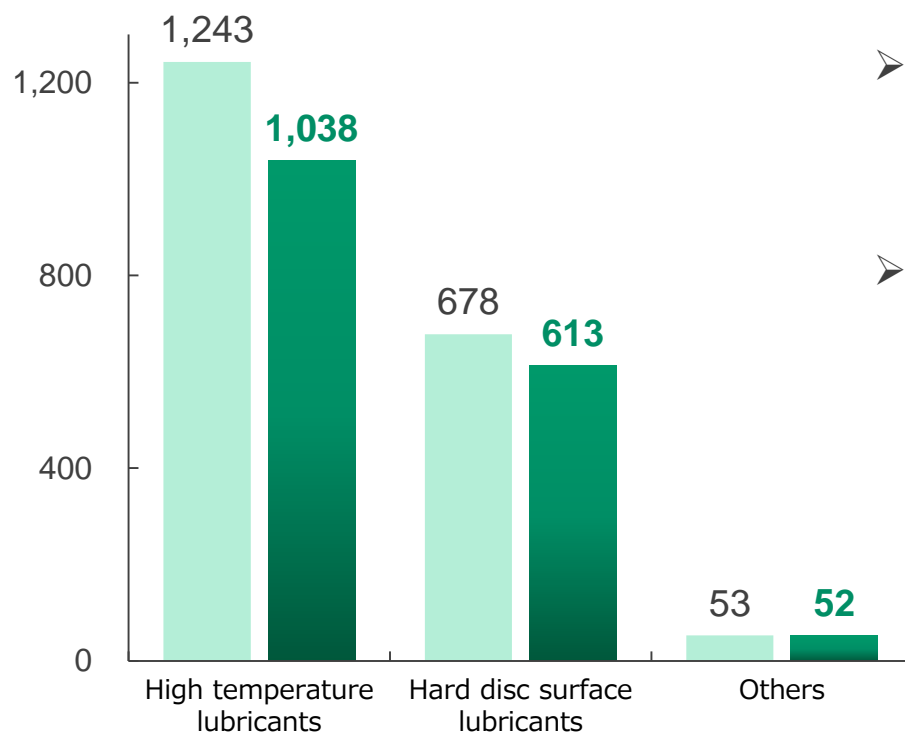
- **Sales increased by 13.0% year-on-year (7,664 million yen)**
Sales volume increased by 3.3%



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

➤ **Sales decreased by 13.7% year-on-year (1,703 million yen)**

Millions of yen ■ FY2021 ■ FY2022

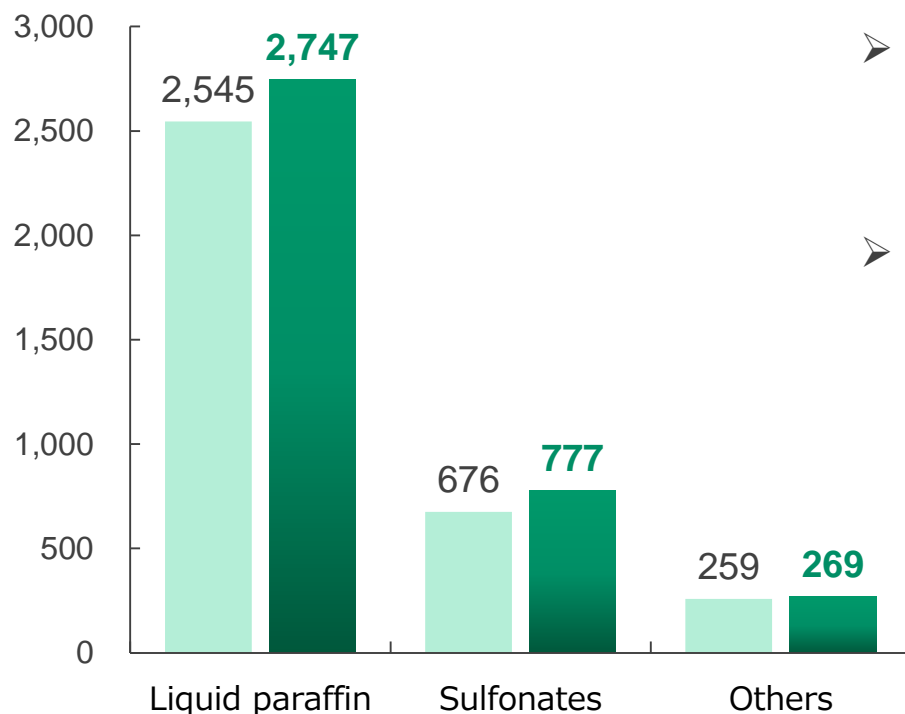


- **High temperature**
Sales decreased due to inventory adjustments by customers.
- **Hard disc surface Lubricants**
Sales decreased due to the impact of sluggish data center investment. (Demand for HDDs for data centers is expected to increase in the medium term.)

Division Performance - Liquid Paraffin & Sulfonate **MORESCO**

- **Sales increased by 9.0% year-on-year (3,793 million yen)**
Sales volume decreased by 9.3%

Millions of yen ■ FY2021 ■ FY2022

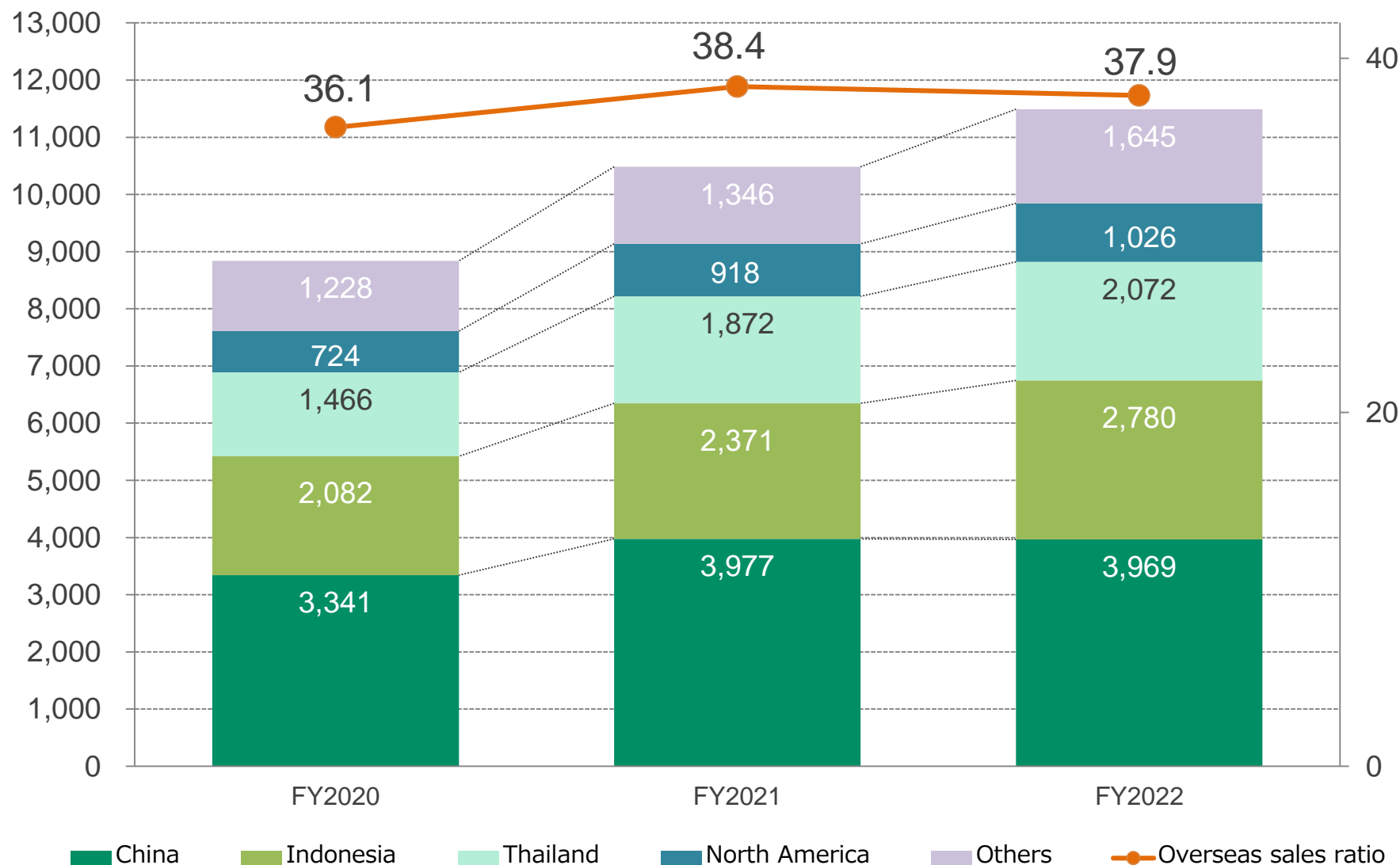


- **Liquid Paraffin**
Sales volume for polystyrene plasticizer applications decreased.
- **Sulfonates**
Volume decreased due to the impact of the decrease in automobile production volume by major domestic customers.

Overseas Sales (Consolidated)

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Millions of yen



Consolidated Income Statement



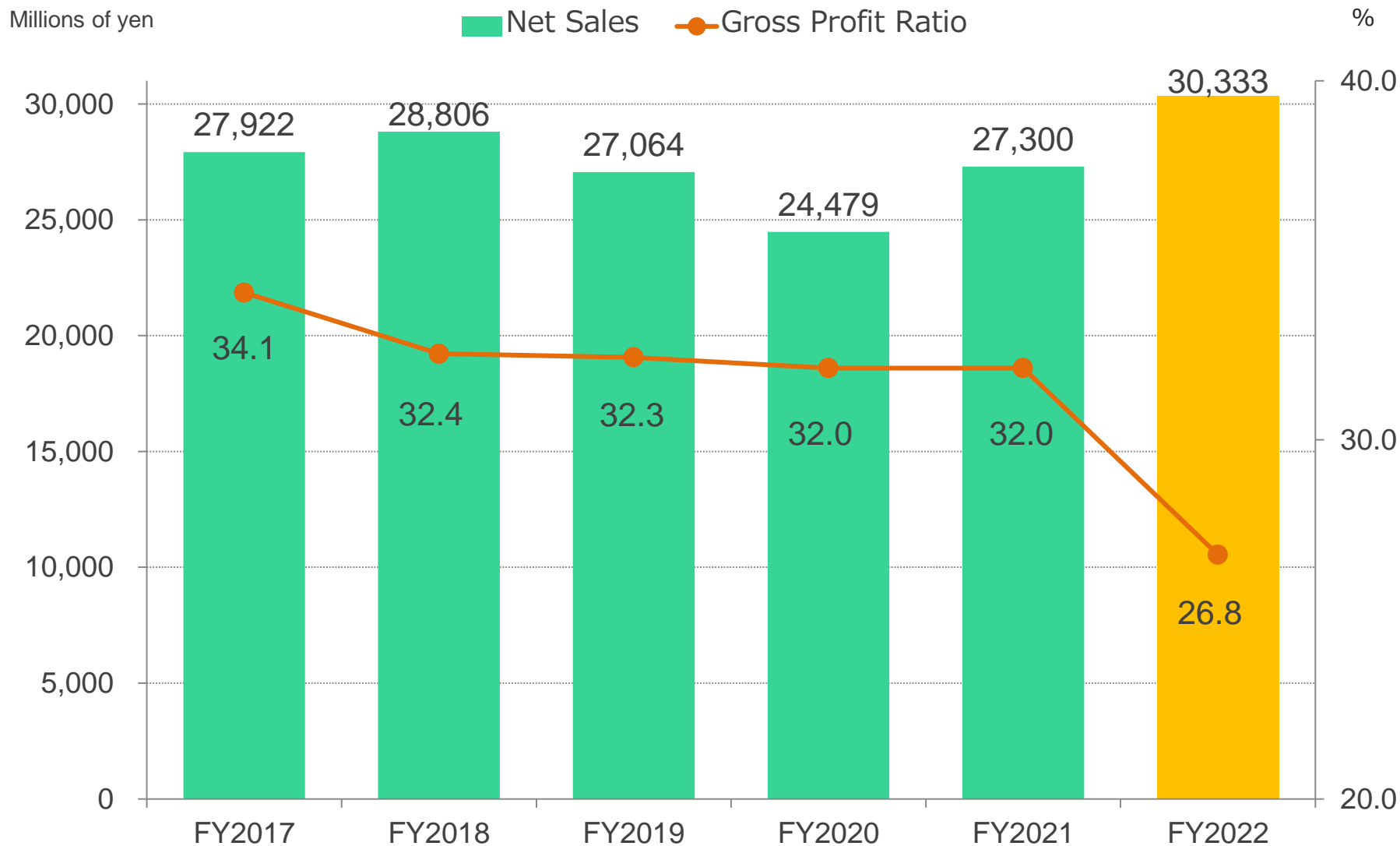
Millions of yen

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Net Sales and Gross Profit Ratio

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Consolidated Income Statement



Millions of yen

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Selling, General and Administrative Expenses



Millions of yen

	FY2021	FY2022	Increase / Decrease	Year-on-year change
Selling, General and Administrative Expenses (include R&D Expenses)	7,291	7,606	+315	+4.3%
R&D Expenses *	1,359	1,246	△113	△8.3%
SGA Ratio	26.7%	25.1%		
Ratio of R&D Expenses to Sales	5.0%	4.1%		

* Research and development expenses have decreased due to the impact of the reorganization. Excluding this impact, sales would have increased by 1.8% from the previous term.

Consolidated Income Statement



Millions of yen

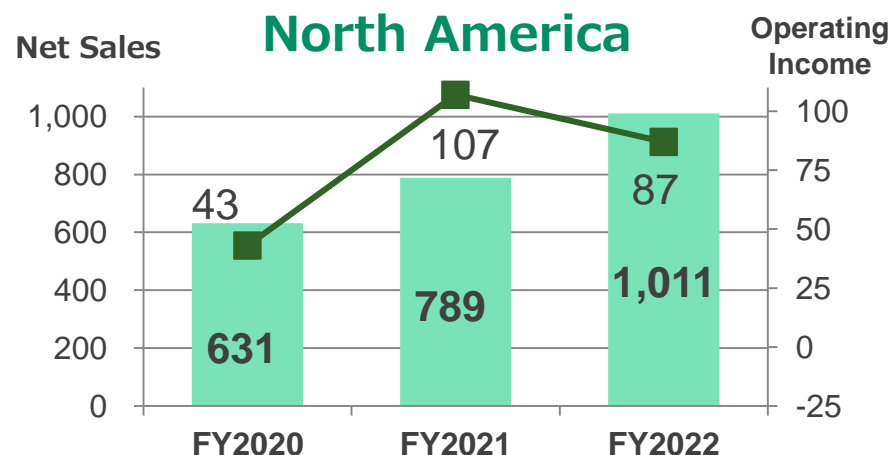
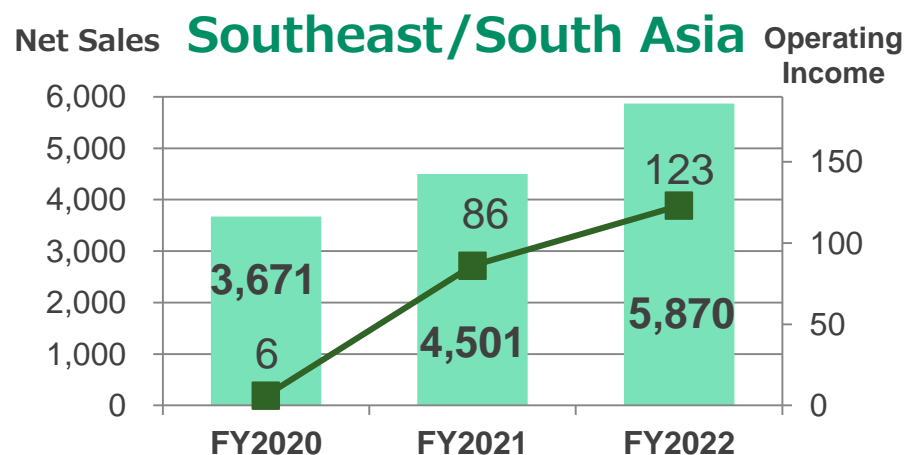
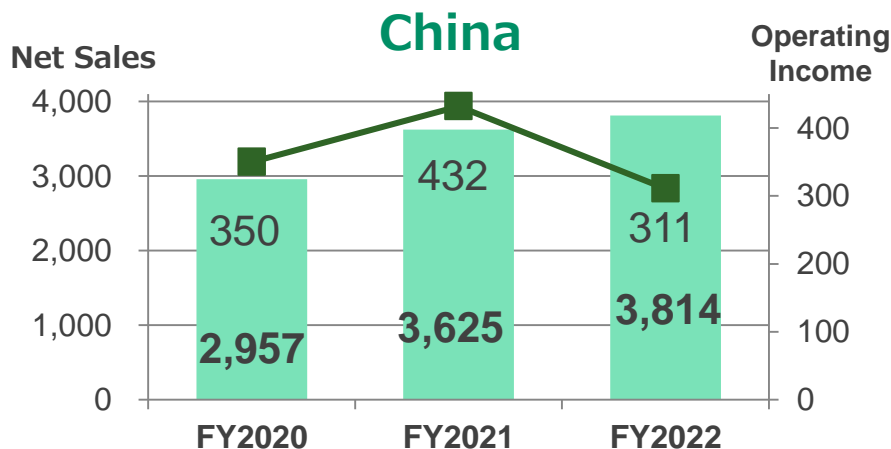
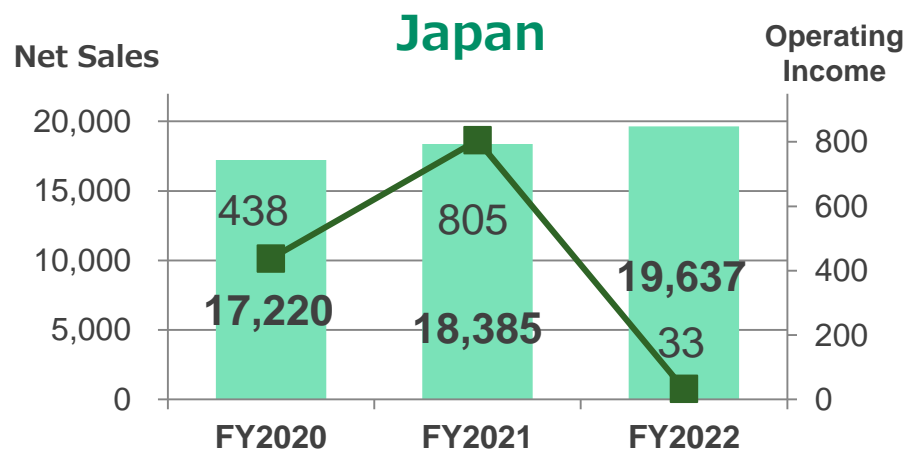
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Profit and Loss by Country (Consolidated) MORESCO

■ Net Sales to external customers ■ Operating Income

Millions of yen



Consolidated Income Statement



Millions of yen

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Balance Sheet (Consolidated)



Millions of yen

Account title	FY2022	Increase/ Decrease	Account title	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
Fixed Assets	13,207	806	Accumulated Other Comprehensive Income	1,246	511
			Non-Controlling Interest	2,706	117
			Total Net Assets	21,240	688
Total Assets	32,017	3,009	Total Liability & Assets	32,017	3,009

Note: Increase / Decrease vs. FY2021

Capital Investment · Depreciation

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Millions of yen

Account title	FY2021	FY2022	Increase / Decrease
Total Capital Investment	1,279	1,318	+39
MORESCO	340	311	△29
Consolidated Subsidiary	939	1,007	+68
Depreciation	1,210	1,212	+2

Major Capital Investment (acquisition base)

- MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD.
Construction of a special lubricating oil production plant (under construction)
- Ethylene Chemical CO., LTD.
Office building (complete)

Interest-bearing Debt



Millions of yen

Account title	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

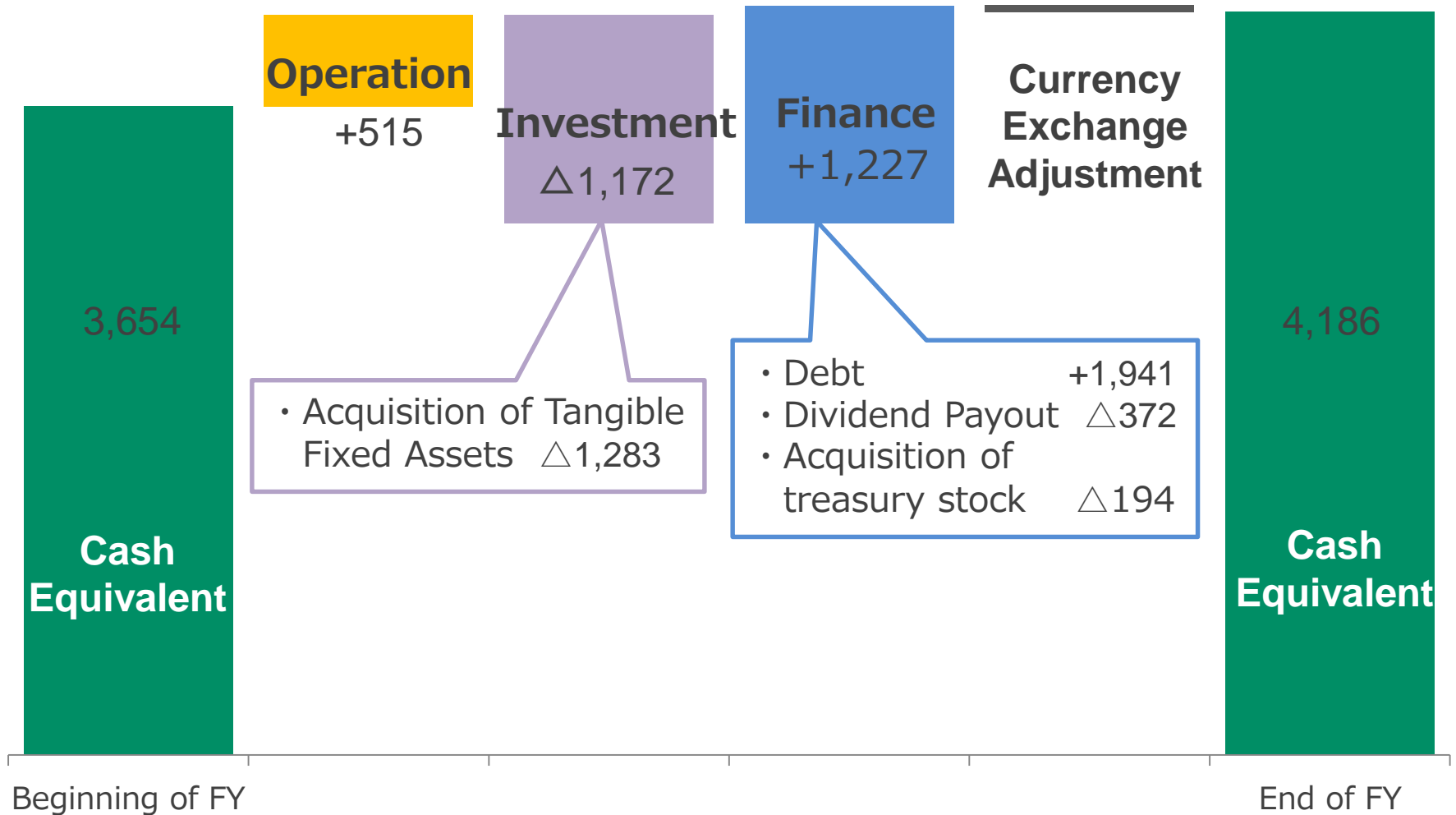
Interest-bearing Debt Ratio	3.1%	8.9%
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* Includes long-term loans payable within one year.

Cash Flow for FY2022

MORESCO

Millions of yen



FY2023 Consolidated Earnings Forecast



Millions of yen

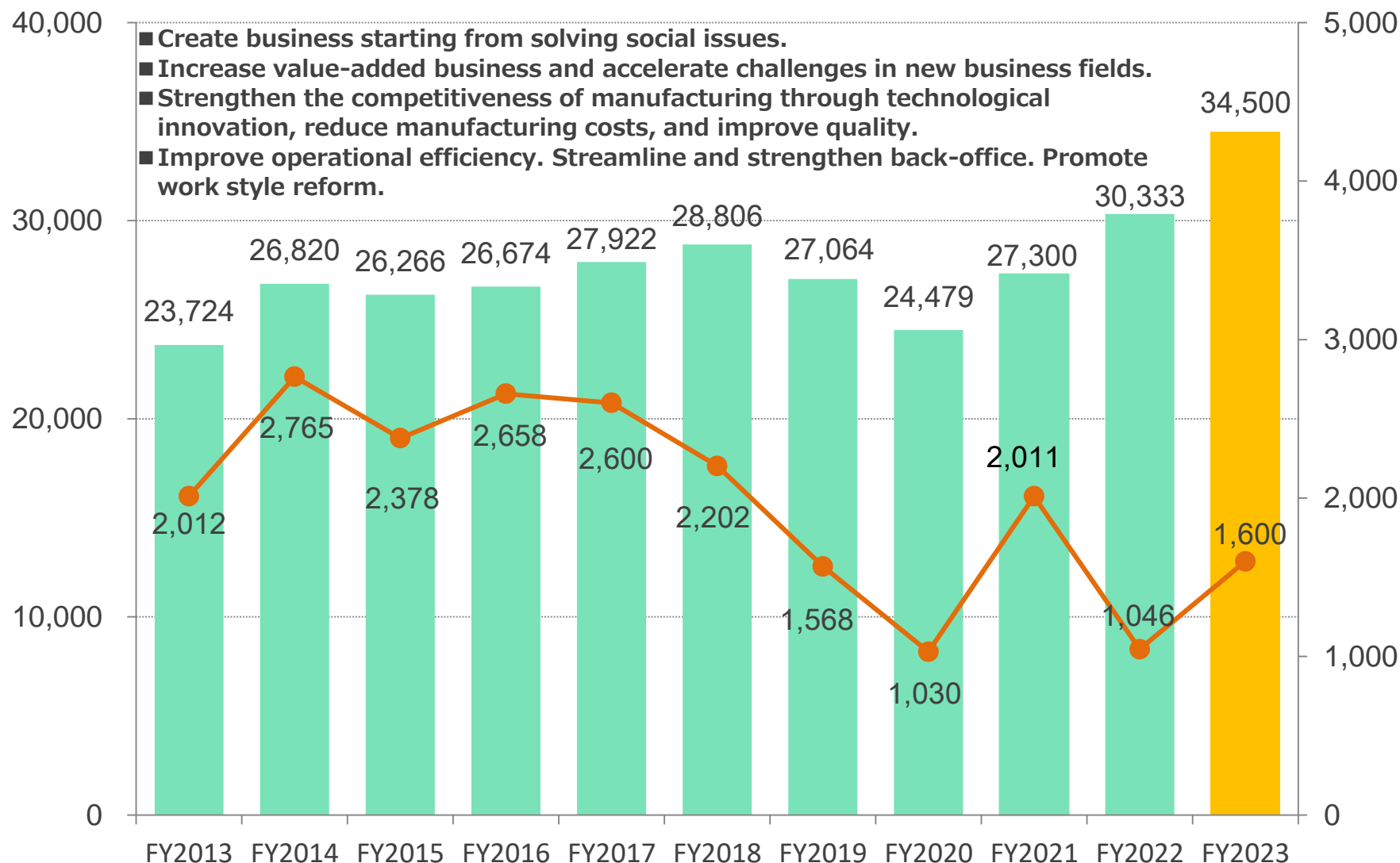
Account title	FY2022 Results	FY2023 Forecast
Net Sales	30,333	34,500
Operating Income	523	1,400
Ordinary Income	1,046	1,600
Net Income	615	700

Medium-Term Management Plan

Business Results and 9th Medium-Term Management Plan



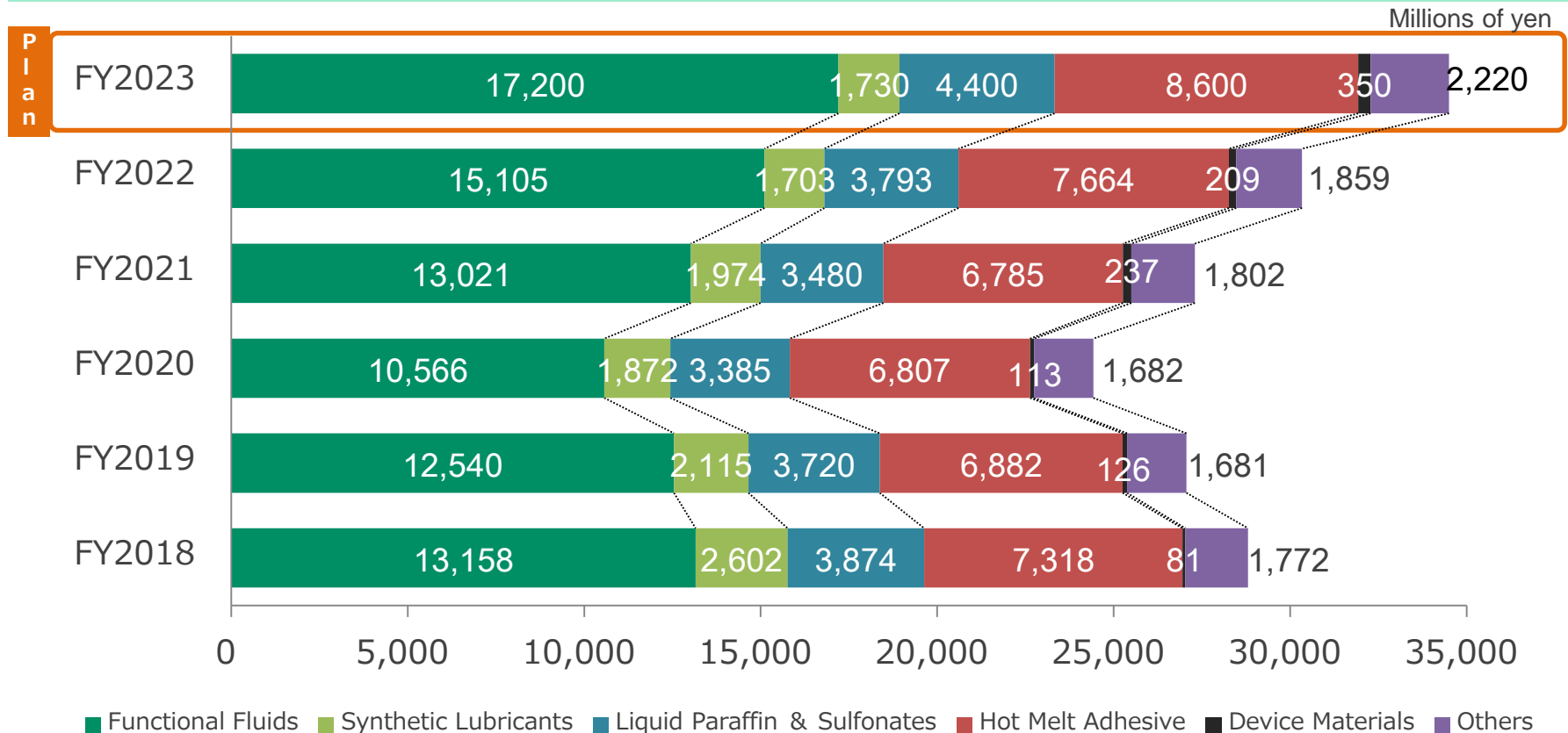
■ FY2013 to FY2022 term sales ■ FY2023 term sales (plan) ● Ordinary income Millions of yen



Medium-Term Plan and Sales by Division (Consolidated)



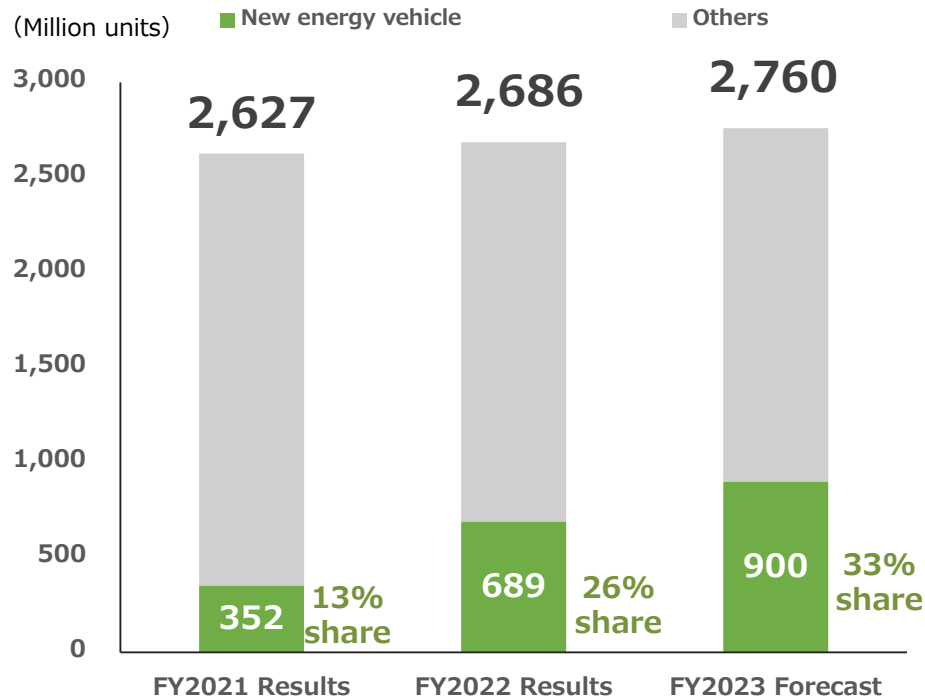
- **Functional Fluids** : Respond to eco-friendly vehicles in the Japanese and Chinese markets, expand sales of water-soluble minimum quantity spray type lubricant.
- **Synthetic Lubricants** : Development of applications for high temperature lubricants, overseas expansion, development of surface lubricants for hard disk in next generation.
- **Hot Melt Adhesive** : Promote the development of environment-friendly products, Sales expansion in Southeast/South Asia.
- **Device Materials** : Accelerating overseas expansion of sealants for organic EL.
- **Creating new business in the life science field.**
- **Promotion of sustainability management.**



Realization of a Sustainable Society

- **Developing new products for lightweight components in China, which drives the new energy vehicle market, and expanding globally**

Changes in automobile sales in China



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

Focusing on weight reduction necessary for new energy vehicles

Die casting field

- ✓ Release agent for gigacast thin large parts (for integrated/structural use)
 - : Compatible with new alloys, small amount application (water-soluble/oil-based)/diluted type

- ✓ Release agent for non-graphitic AL squeeze casting
- ✓ Release agent for Mg auto parts

Forging field

- ✓ Non-graphite AL forging lubricant

Cutting field

- ✓ AL cutting fluid for E-axes and battery cases
- ✓ Synthetic cutting fluid for Mg auto parts

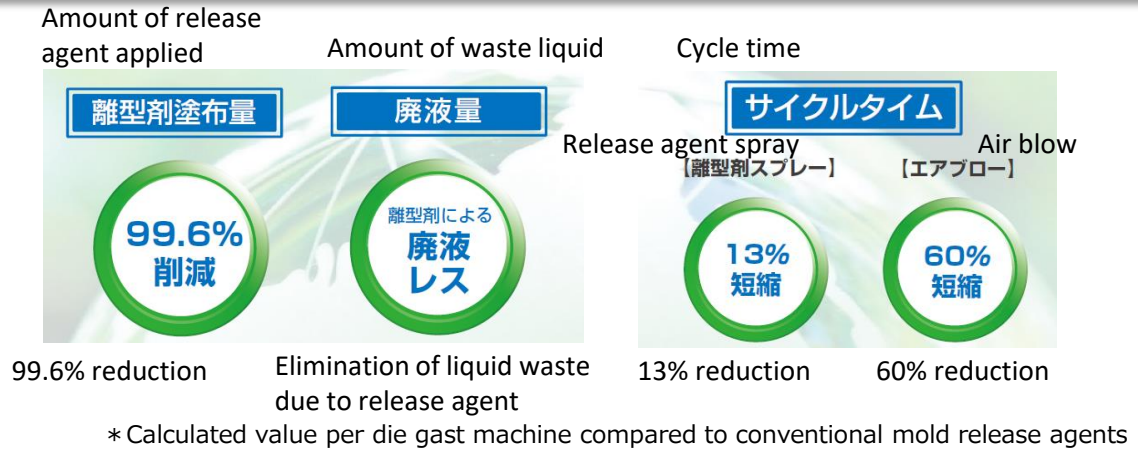
New field of plastic working

- ✓ Full-scale entry into release agents for pressforming (AL)
- ✓ Full-scale entry into non-ferrous (AL, Cu, Mg) cold and warm press lubricants
- ✓ Lubricants for impact molding for major EV battery manufacturers

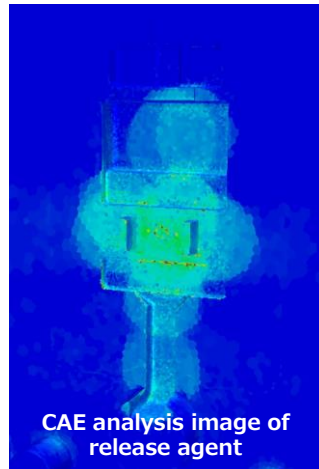
*The Chinese government classifies electric vehicles (EV), plug-in hybrid vehicles (PHV), and fuel cell vehicles (FCV) as new energy vehicles.

➤ Contribution to climate change and biodiversity

- ✓ **CO2 reduction effect**
7.5 tons or more per year
- ✓ **Wastewater reduction effect**
200 tons or more per year



➤ Visualization and quantification by simulation of application state



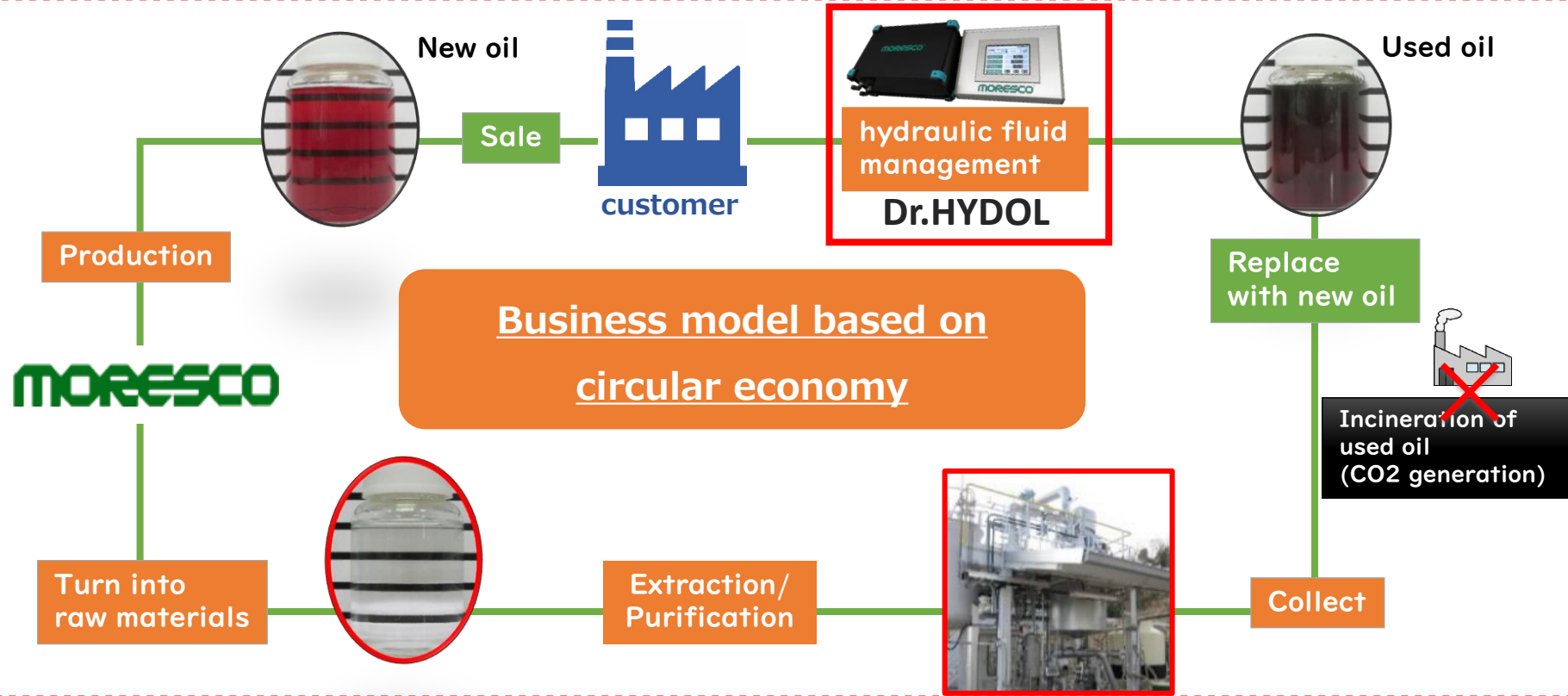
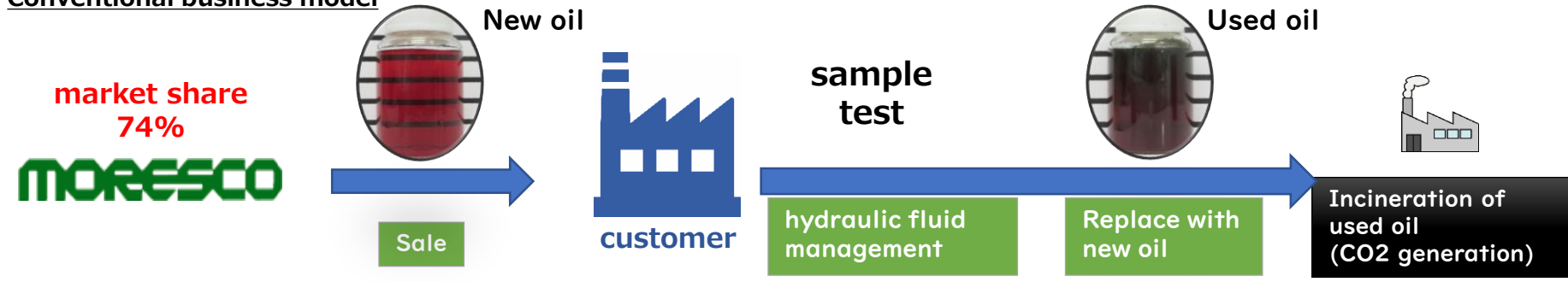
Visualize the coating state using equipment such as a 3D scanner

Numericalization of coating area and film thickness by CAE analysis

- ✓ Reduced machine startup period
- ✓ Optimize setups such as mold adjustments during new product development
- ✓ Contribute to quality improvement

Recycling system for fire-resistant hydraulic fluid

Conventional business model



Dr. HYDOL, an immediate analyzer for flame-retardant hydraulic fluids **MORESCO**

The state of the hydraulic fluid **can be found immediately on the spot!**

【Measurement item】



Kinematic viscosity

- Leads to maintenance of lubrication performance and stable injection conditions
- **Prevention of sudden failure!**
- **Rapid anomaly detection!**



Moisture

- Changes in moisture content lead to changes in viscosity
- **Evaporation and mixing of moisture can be seen!**



Pollution degree

- Important items directly linked to equipment trouble
- **Detects external contaminants, abnormal wear, etc**



▲ Permanent type



▲ Portable type

Reduce equipment trouble! Efficient hydraulic fluid management!

Concentration of liquid fertilizer with MATSUKEN CO., LTD.'s membrane treatment equipment

- Reduce the cost of using liquid fertilizer by concentrating liquid fertilizer by physical filtration without using chemicals
- Adopted for bio-liquid fertilizer concentration facility in Maniwa City, Okayama Prefecture (scheduled to start operation in 2024)

Methane fermentation plant system



Source: Quoted from the website of the Maniwa Cross-Regional Waste Recycling Business Cooperative, partly created in-house

Methane fermentation digestive juice (liquid fertilizer)

Solid-liquid separator

UF membrane device

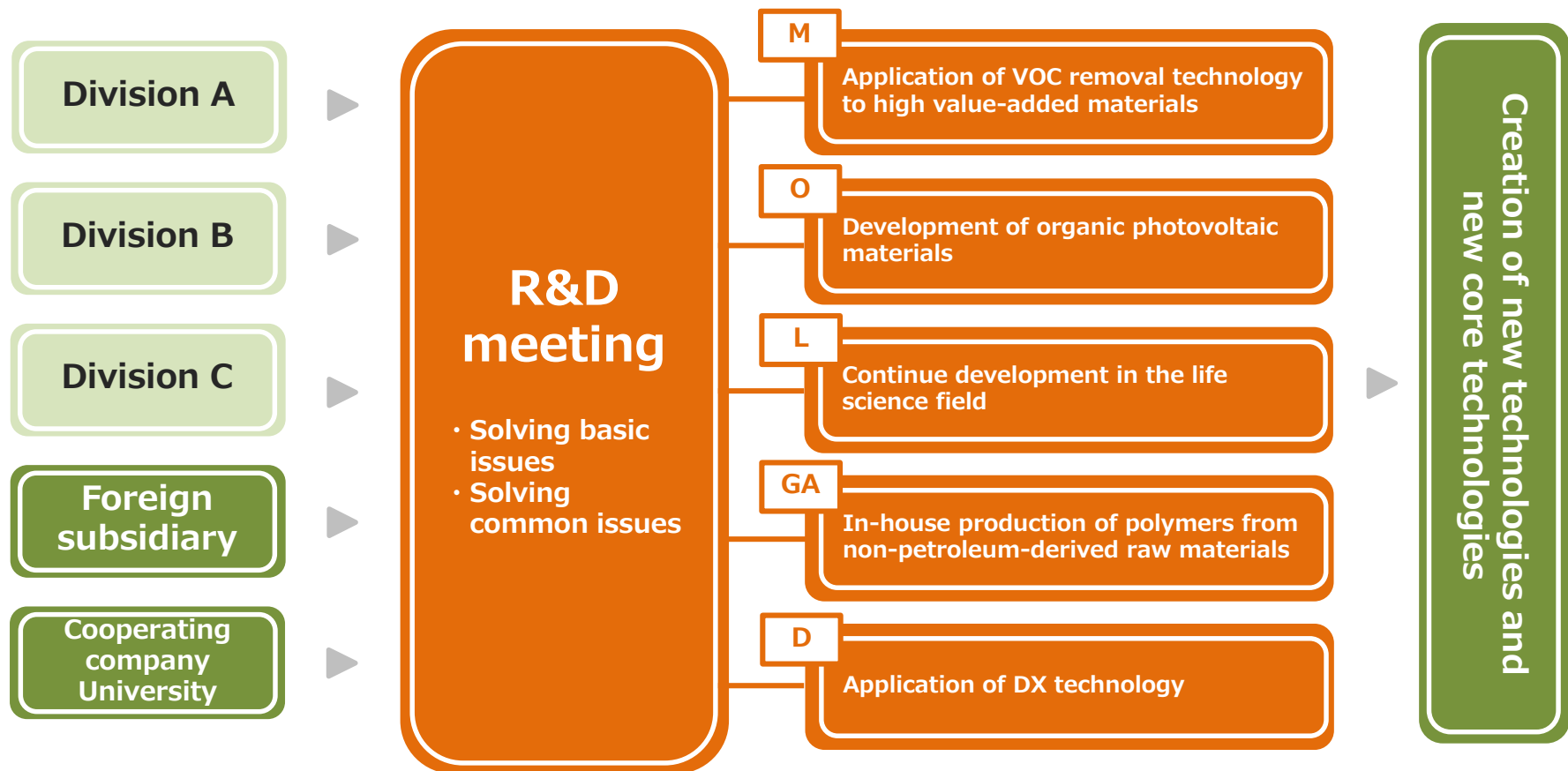
Electrodialyz

Concentrate liquid fertilizer to 1/10 to 1/20

Research and development aimed at solving social issues

R&D system for solving social issues

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



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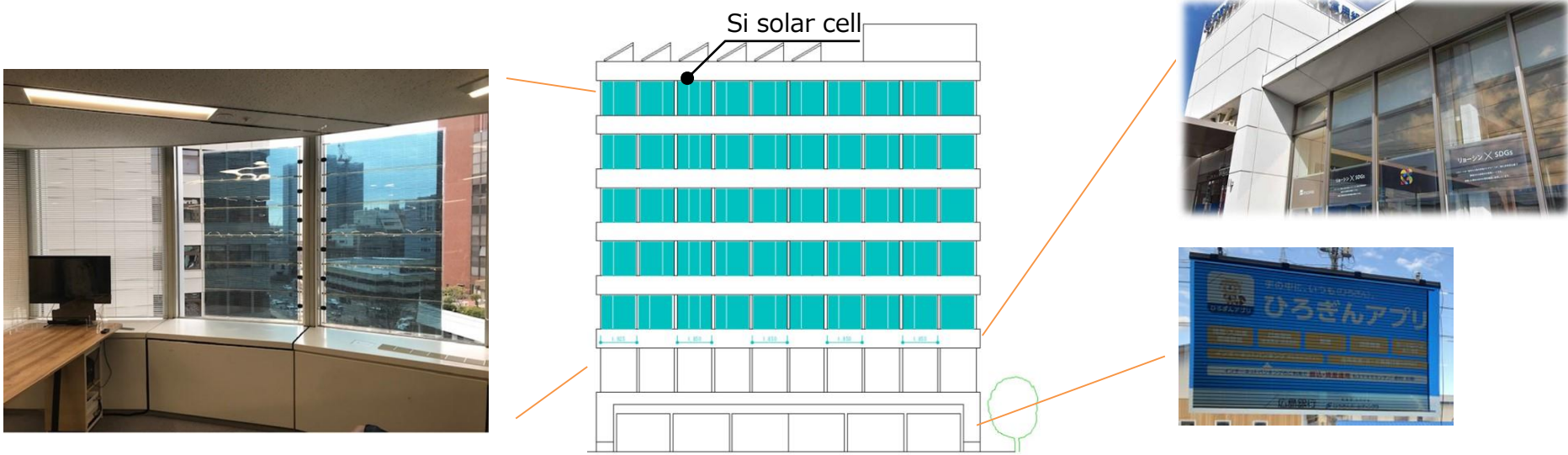
OPV - Contribution to solar power generation in urban areas

- OPV reduces the payback time* to 1/3 that of Si-based solar cells, contributing to a reduction in environmental impact
 - *Recovery period of CO2 generated from materials to production
- Developing materials to improve power generation efficiency in collaboration with universities

CO2 payback time (number of months)	
Single crystal Si solar cell	42
OPV (Power generation efficiency 5%)	13
OPV (Power generation efficiency 7%)	9
OPV (Power generation efficiency 10%)	6

← About 29 months reduction →

Increase the amount of solar power generated by urban skyscrapers in combination with Si-based solar cells

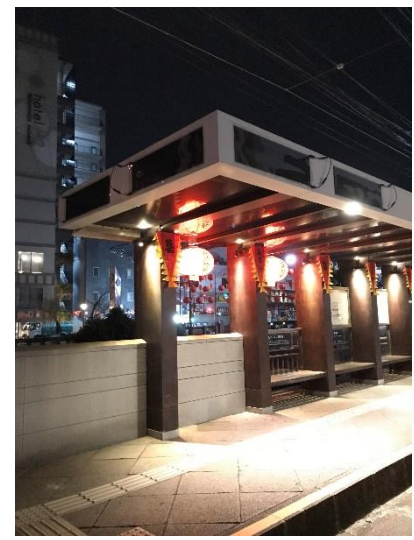


Middle floor of building : OPV (see-through)
Usage example : The monitor auxiliary power

Low floor of building : OPV (Printing)
Usage example : Alcohol spray, Environmental sensor

OPV-Introduction track record and increase in inquiries **MORESCO**

- Number of inquiries: 100 in 2022 (20 companies in 2020)
- Implementation record: Cumulative 30 companies



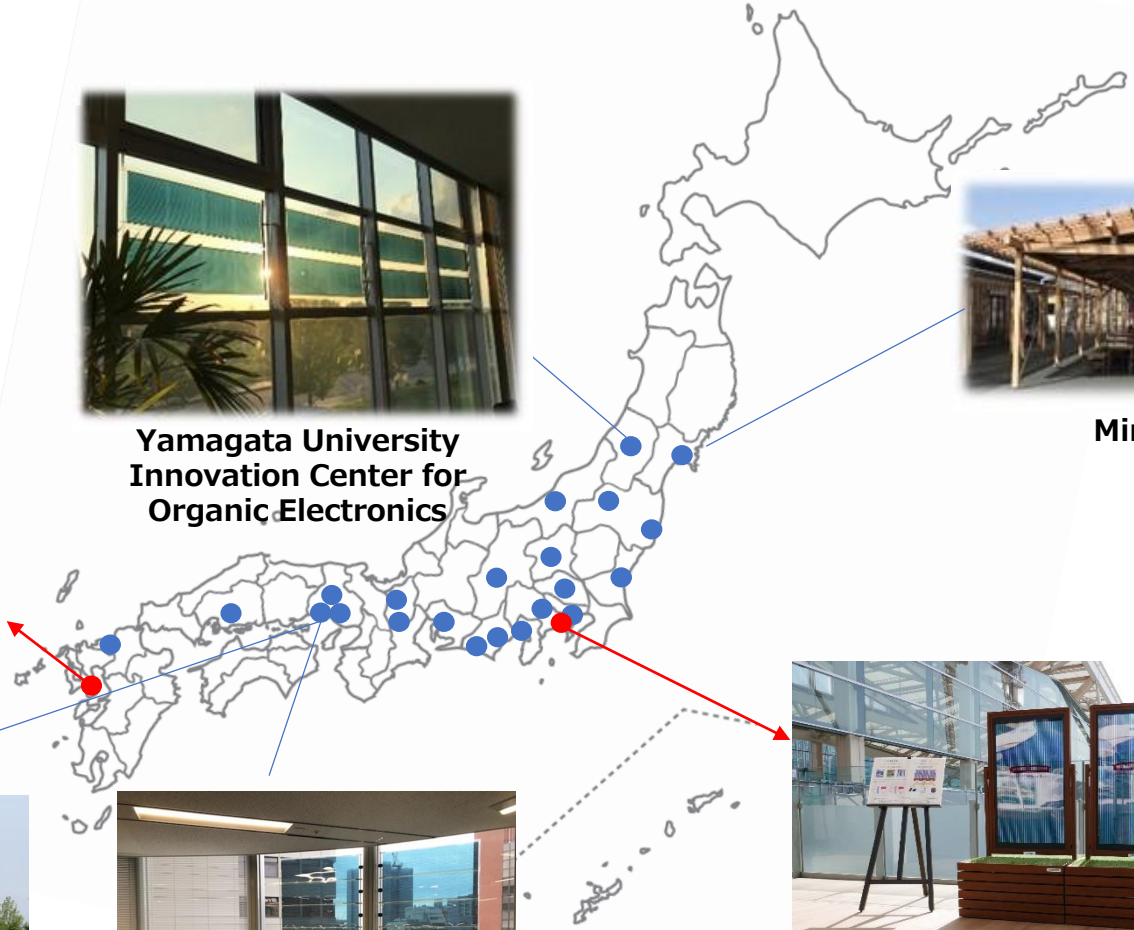
**Nagasaki Lantern Festival
2023**



Kobe Animal Kingdom



**Yamagata University
Innovation Center for
Organic Electronics**



Daimaru Kobe



Minamisanriku



**"Playable Week 2023"
Takanawa Gateway Station 3rd Anniversary Event**

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

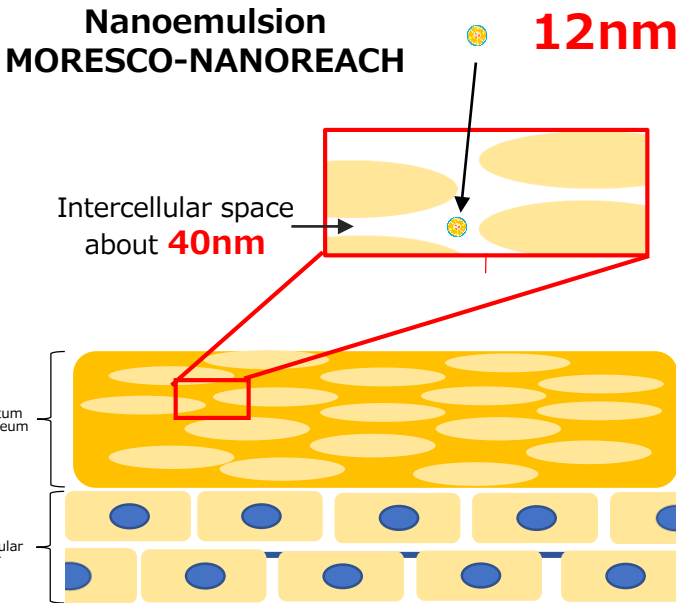
2023
First patent application scheduled



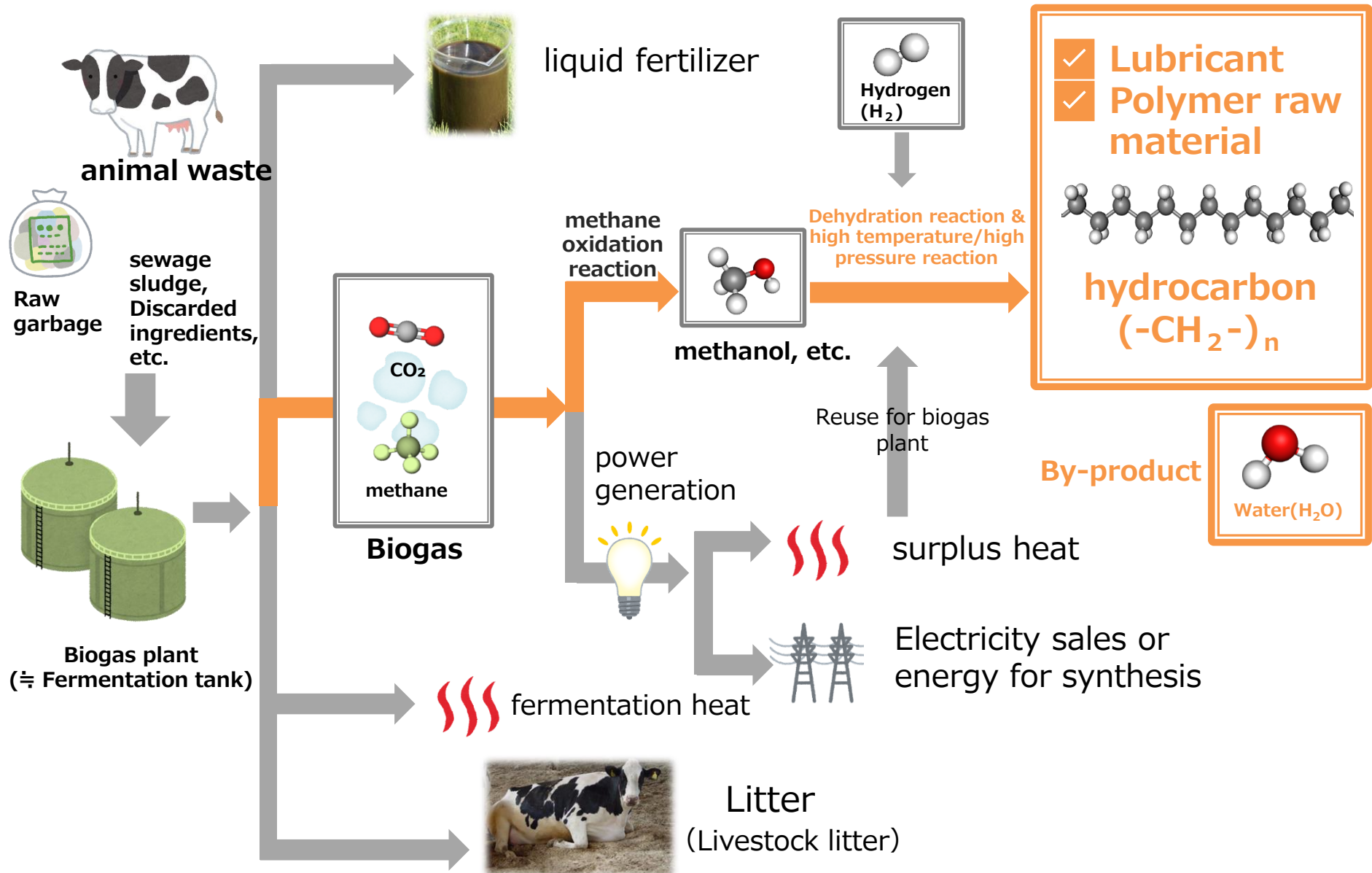
Autophagy research is research that leads to the prevention and treatment of various phenomena and diseases related to aging

Sample evaluation underway at a major cosmetics manufacturer

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



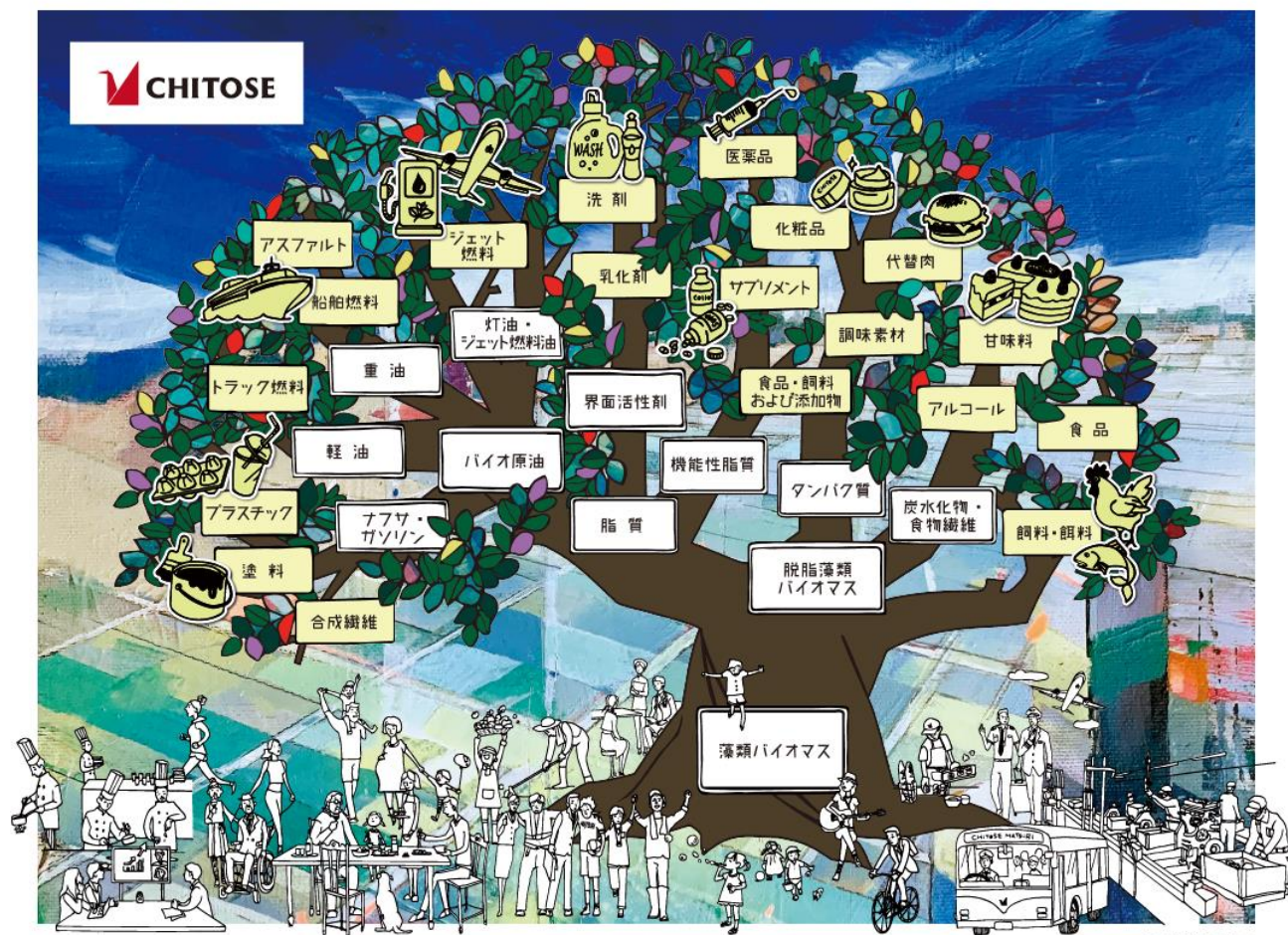
Generation of petrochemical materials from biomass①



Generation of petrochemical materials from biomass②

- Participated as a corporate partner in the project “ **MATSURI** ” operated by Chitose Group
- Contributing to the realization of bioeconomy by incorporating our technology into MATSURI's **algae** industry tree

MATSURI's Algae Industry Tree



©CHITOSE Group

Acceleration of global expansion

Strengthening the system for global expansion

- 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

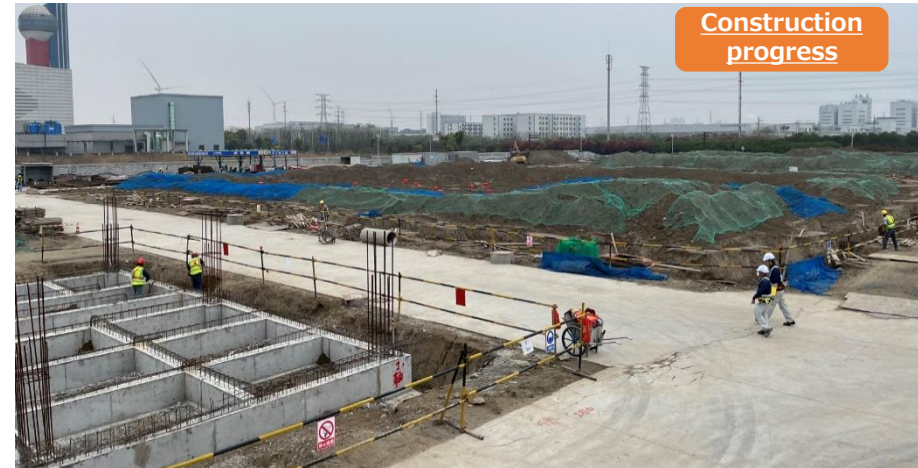
North America

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

Progress of new factory in China

【Purpose】 Improving the production capacity and production efficiency of special lubricating oils & Efficiency of management work

【Progress】 Construction to start in February 2023, scheduled to start full operation in November



Corporate governance

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)

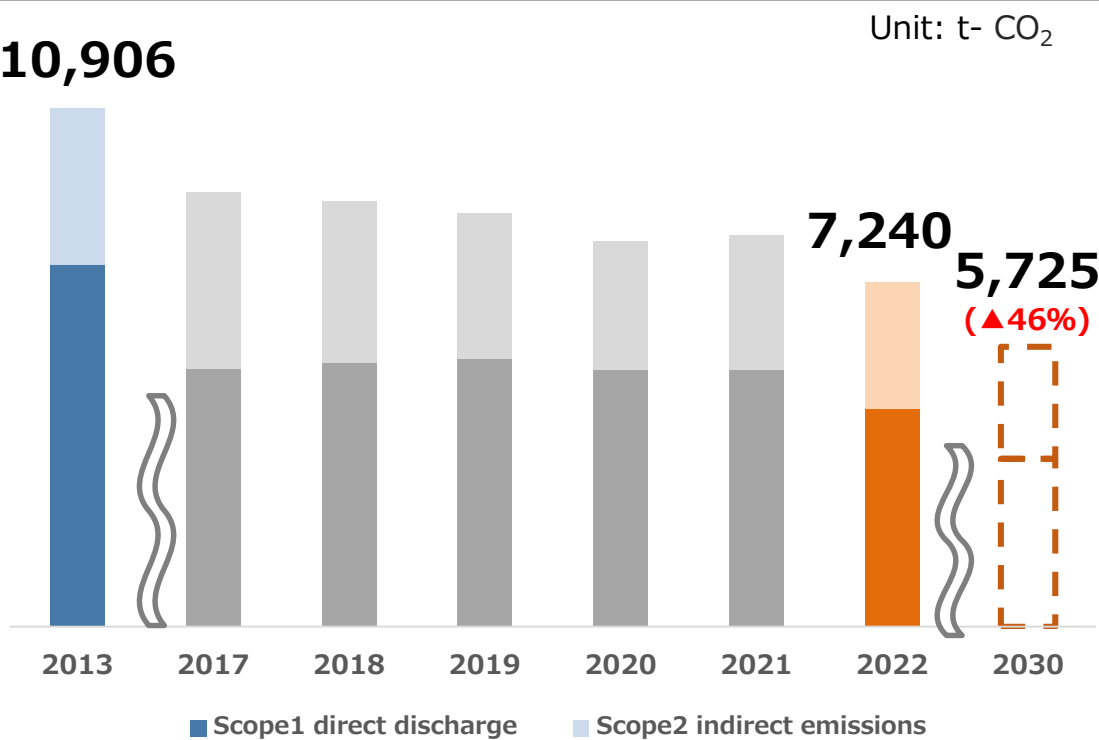
Achieve **carbon neutrality** by **2050**, including supply chain

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%

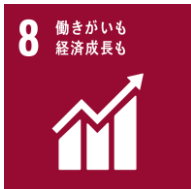
*The reduction rate for 2022 is a provisional figure using the electric power emission factor before finalization for the current fiscal year

Initiatives for health management



Excellent Health and Productivity Management Organization (Large Enterprise Category)

Certified for 3 consecutive years

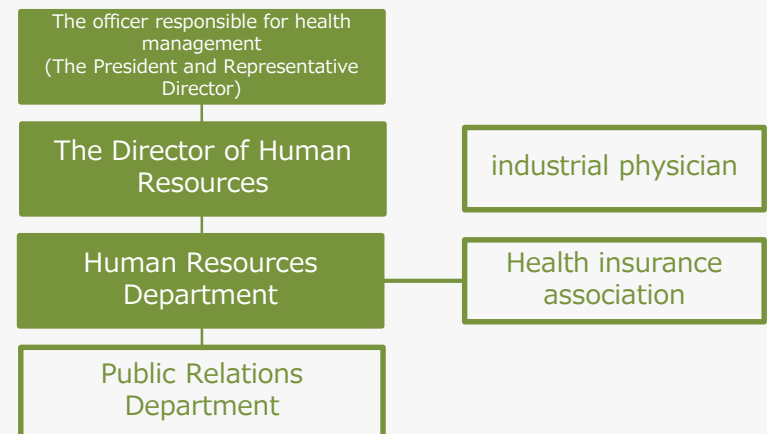


*A system to honor corporations that practice particularly excellent health management (Ministry of Economy, Trade and Industry)

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





- 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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