

# MORESCO Corporation

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

## The 66th 2Q Financial Report

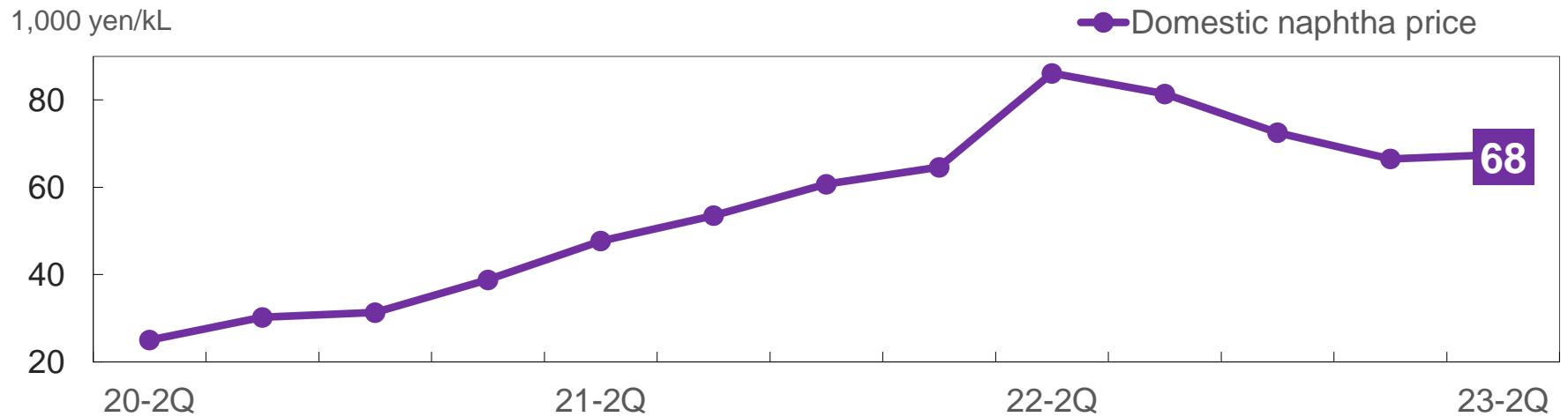
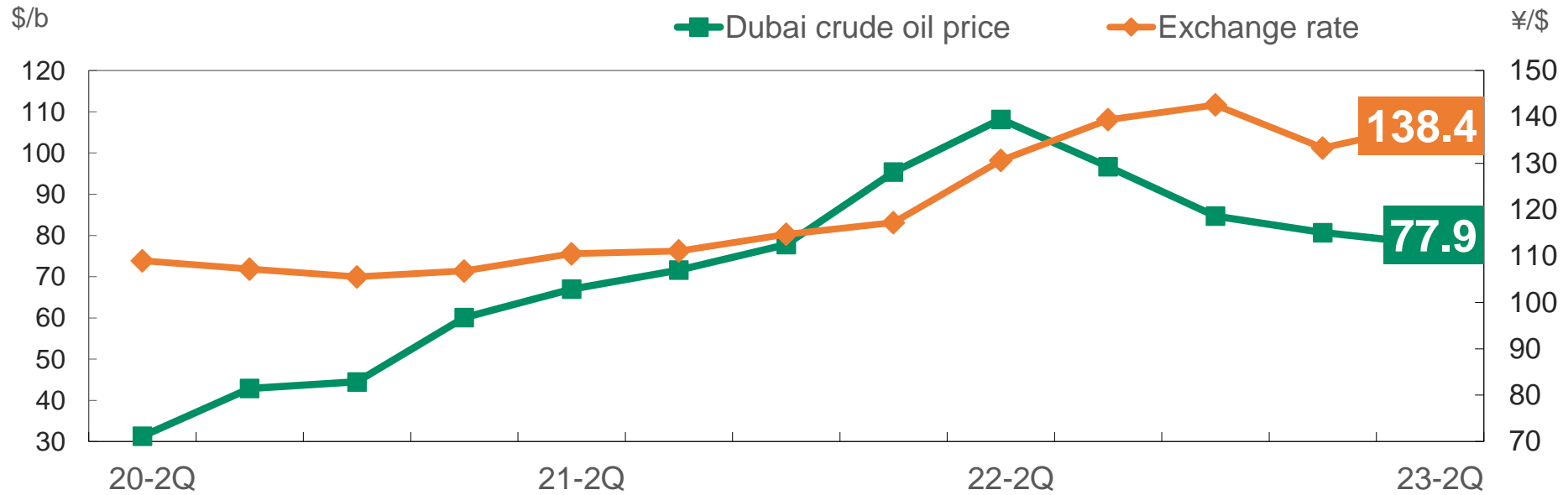
(From March 1, 2023 to August 31, 2023)

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

October 16, 2023

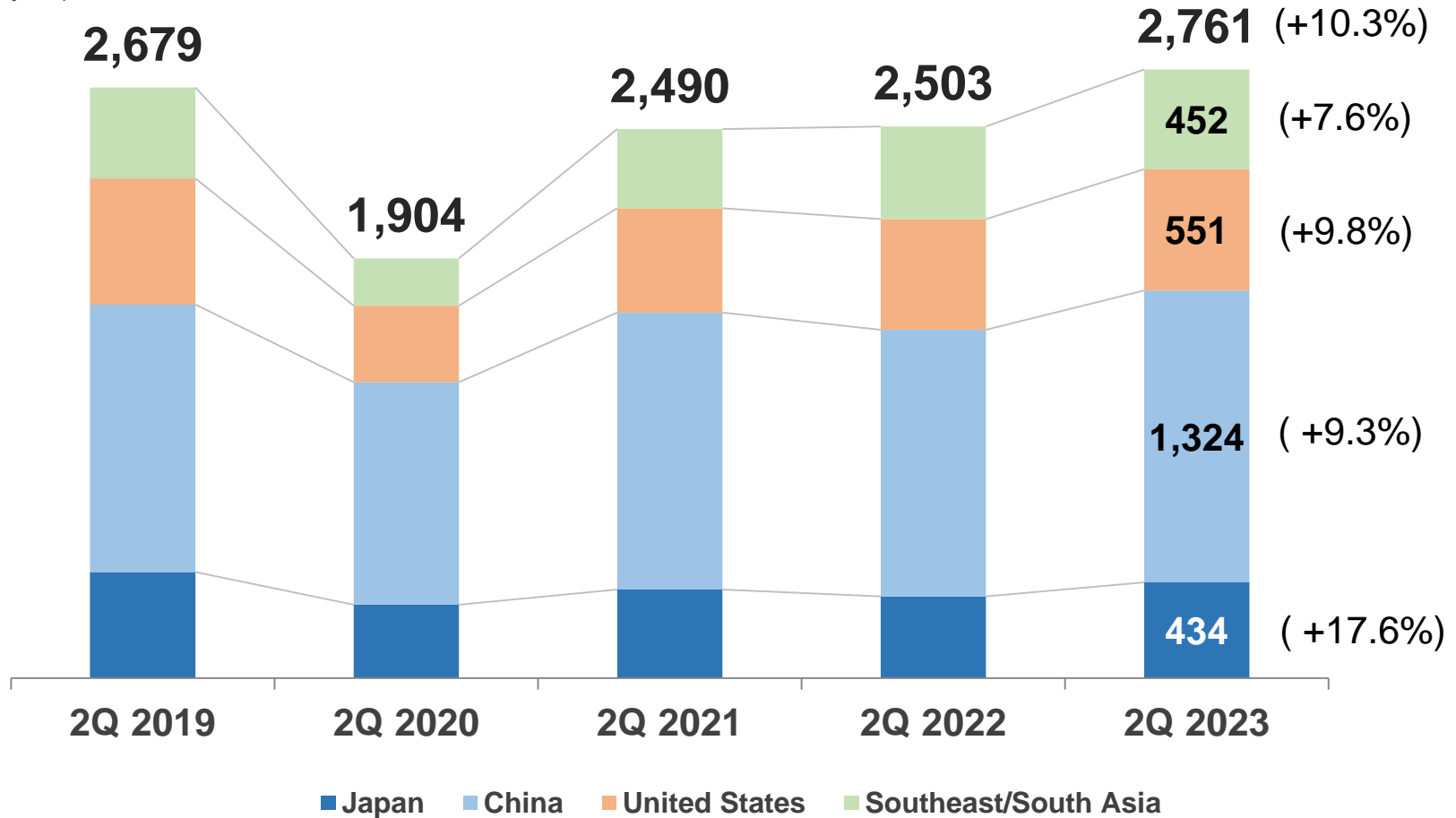
# Business Environment

## - Raw material prices and Exchange rates



### Changes in automobile production volume in regions of our sites

10,000 units  
(% compared to  
previous year)



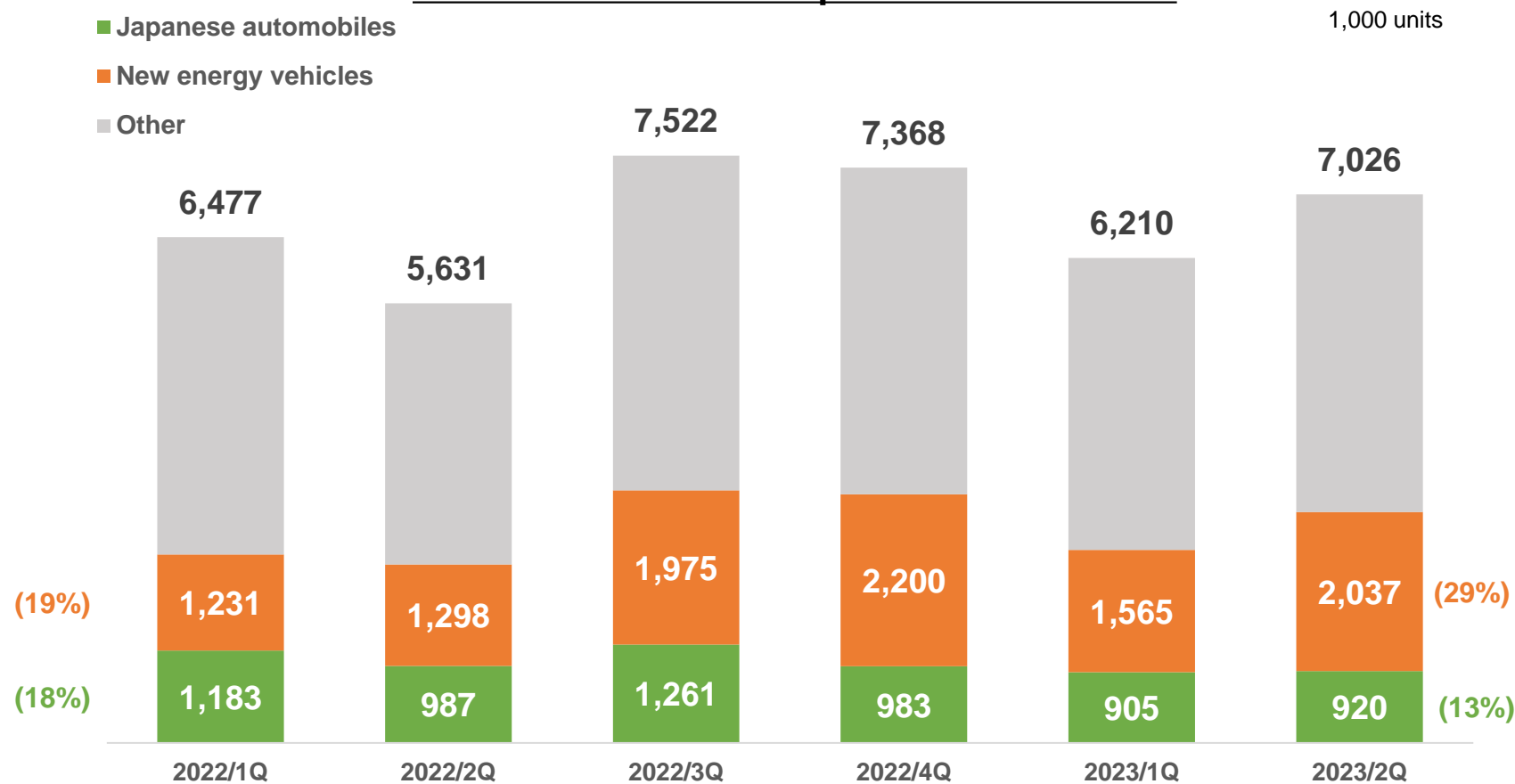
Source: Prepared by MORESCO based on data released by MarkLines Co., Ltd.

Note 1: Data is aggregated based on MORESCO's fiscal year (Japan: March to August, overseas: January to June).

Note 2: Data for Southeast/South Asia includes only Thailand, Indonesia, and India, where we have operating sites.

- Sluggish sales of lubricants due to a decline in the operating rate of Japanese auto parts manufacturers
- Accelerating product evaluation for new energy vehicles and focusing on development of new products

### Volume of automobile production in China



Source: Prepared by MORESCO based on data released by MarkLines Co., Ltd.

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# Consolidated Income Statement



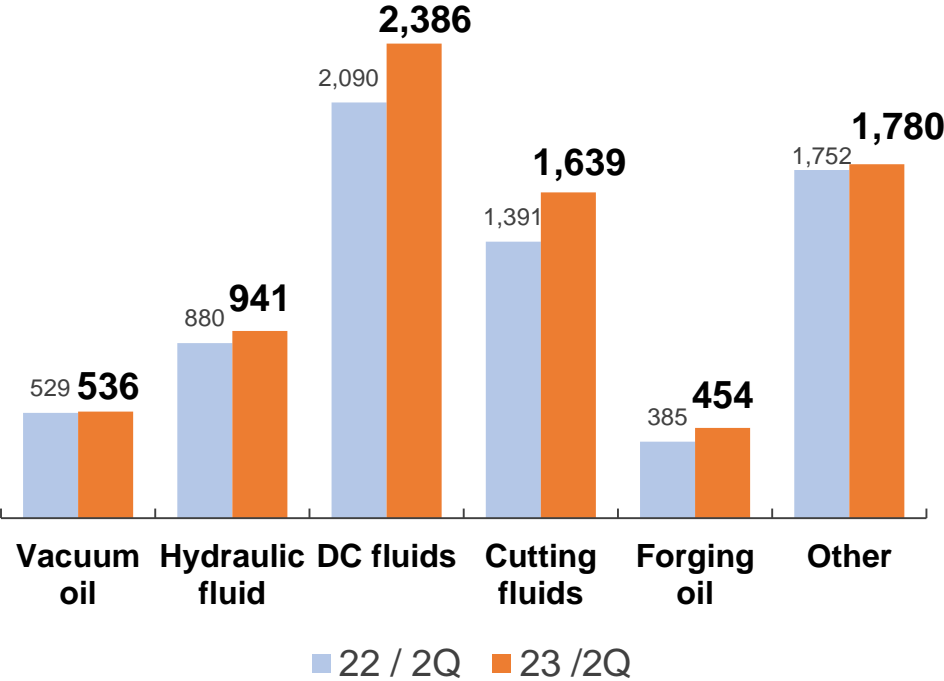
(Million yen)	FY22 first half	FY23 first half	Year-on-year change
<b>Net sales</b>	14,523	<b>15,386</b>	+5.9%
<b>Gross profit</b>	4,039	<b>4,197</b>	+3.9%
SG&A	3,744	<b>3,669</b>	-2.0%
<b>Operating profit</b>	295	<b>528</b>	+178.8%
Non-operating profit (loss)	550	<b>405</b>	-26.4%
<b>Ordinary profit</b>	846	<b>933</b>	+10.4%
<b>Profit before tax</b>	846	<b>933</b>	+10.3%
<b>Profit*</b>	504	<b>569</b>	+13.0%

\* Profit attributable to owners of parent, the same hereafter

(Million yen)	FY22 first half	FY23 first half	Year-on-year change
Functional Fluids	7,027	7,736	+10.1%
Hot Melt Adhesive	3,754	4,194	+11.7%
Synthetic Lubricants	991	607	-38.7%
Liquid Paraffin & Sulfonates	1,855	1,940	+4.6%
Other	896	910	+1.6%
<b>Total net sales</b>	<b>14,523</b>	<b>15,386</b>	<b>+5.9%</b>

[Net sales] **Up 10.1%** year on year (¥7,736 million)  
[Sales volume] **Down 2.1%** year on year

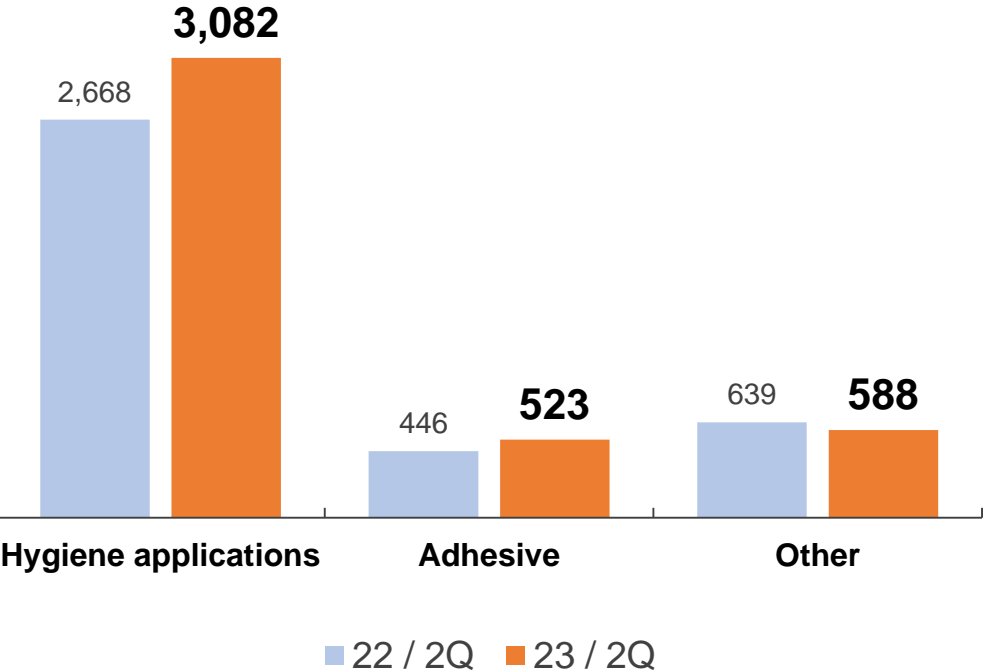
Million yen



- **Japan**  
Sales for automotive applications recovered, but sales for non-automotive applications were weak.
- **China**  
Delay in economic recovery, and decline in production and sales of Japanese automobile manufacturers
- **Southeast/South Asia, North America**  
Sales volume increased due to increased automobile production.

[Net sales] **Up 11.7%** year on year (¥4,194 million)  
[Sales volume] **Up 4.0%** year on year

Million yen

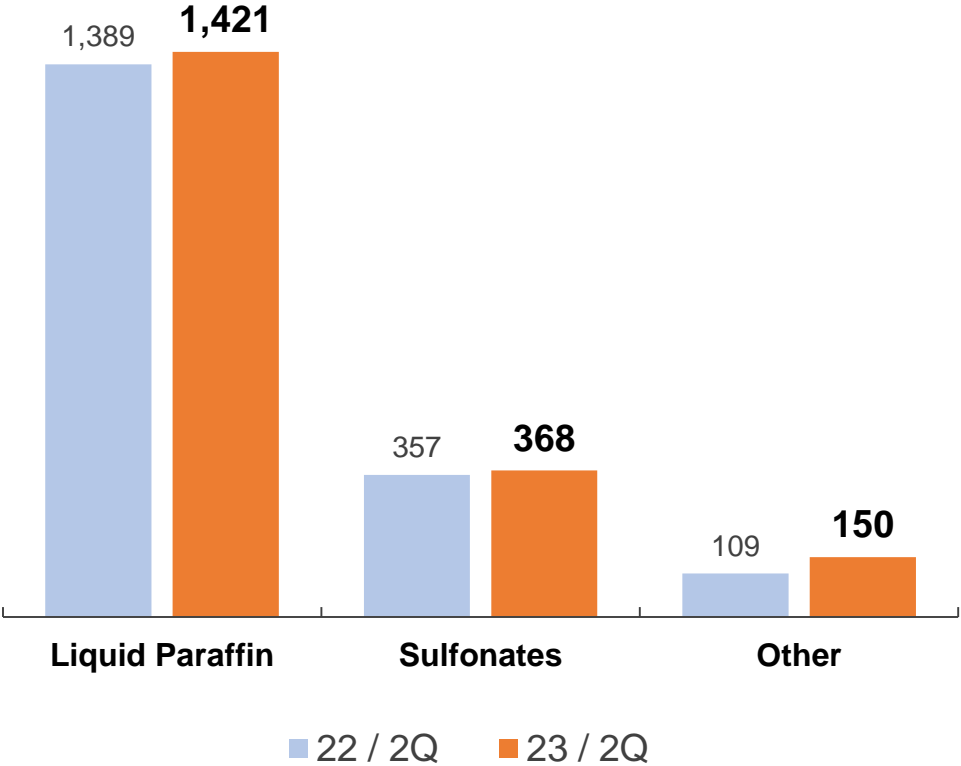


- **Japan**  
Sales for hygiene applications steadily increased.
- **Overseas**  
Sales expansion for hygiene applications progressed in India and Indonesia.



[Net sales] **Up 4.6%** year on year (¥1,940 million)  
[Sales volume] **Down 12.3%** year on year

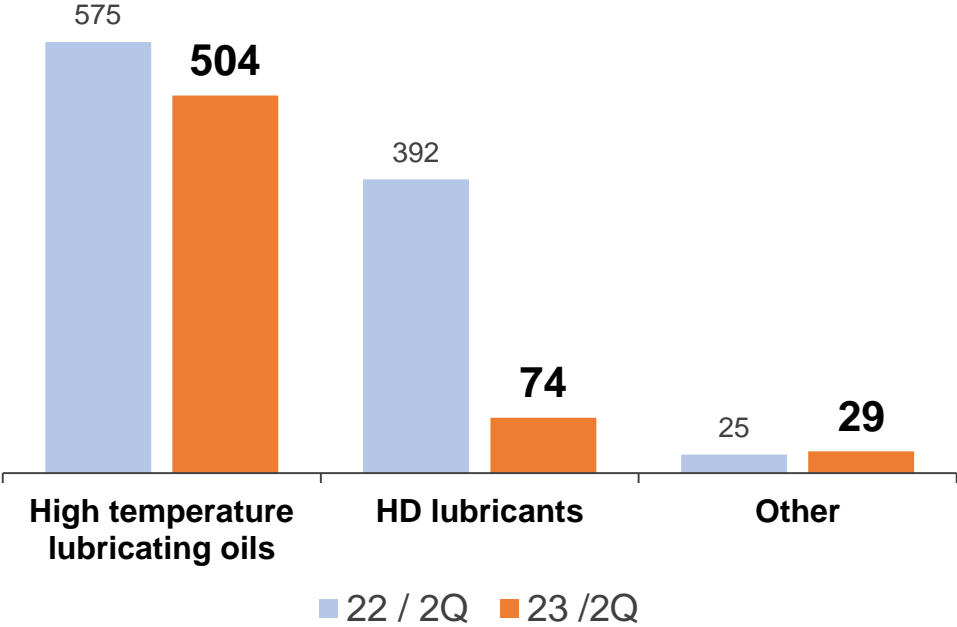
Million yen



- **Liquid Paraffin**  
Sales volume of products for polystyrene plasticizers decreased.
- **Sulfonates**  
Demand for metal working applications decreased.

[Net sales] **Down 38.7%** year on year (¥607 million)  
[Sales volume] **Down 31.6%** year on year

Million yen



- **High temperature lubricating oils**  
Sales decreased due to production adjustments at customers.
- **Hard disk surface lubricant**  
Sales decreased due to a decline in data center investment.

# Consolidated Income Statement



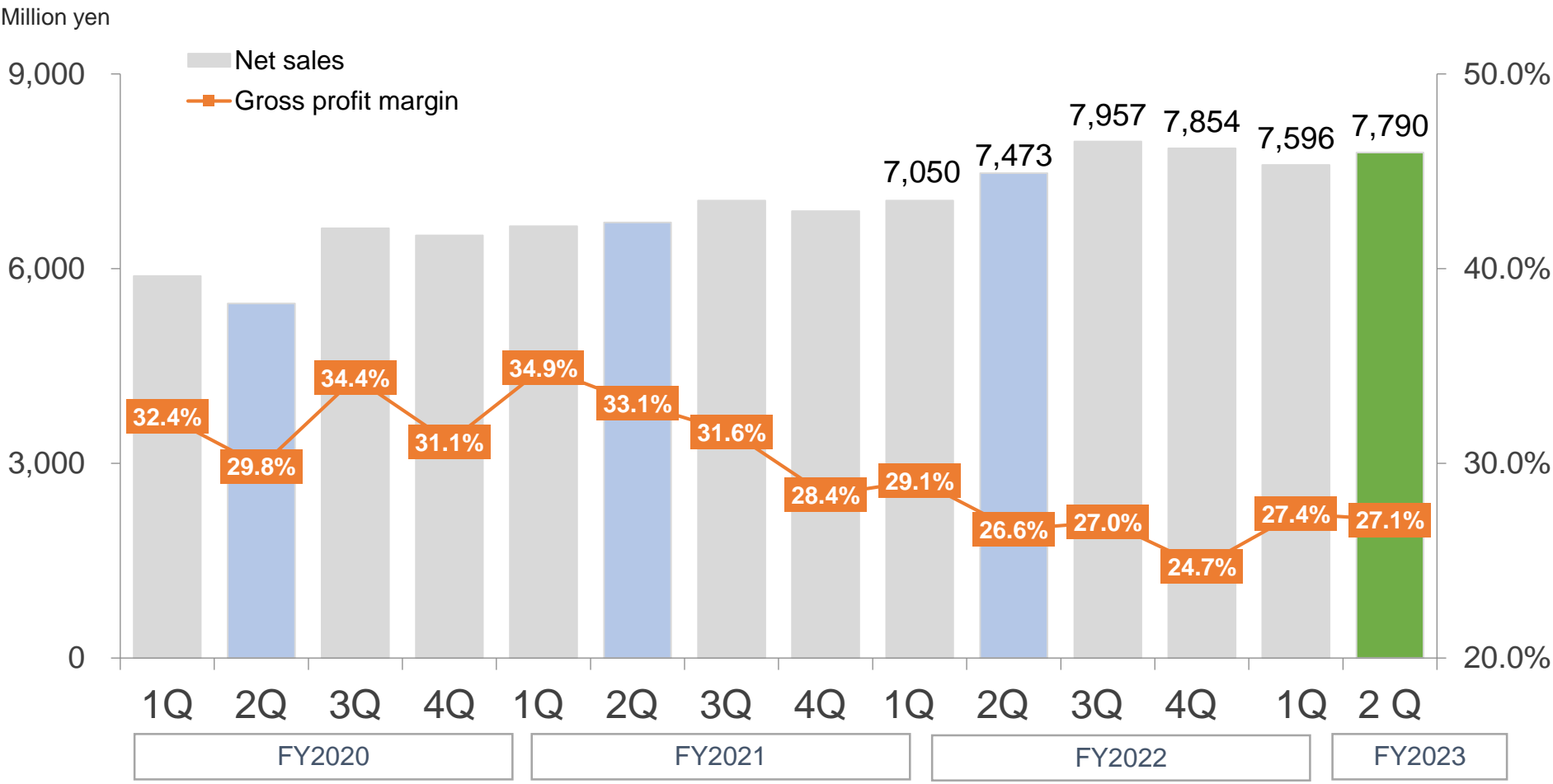
(Million yen)	FY22 first half	FY23 first half	Year-on-year change	Factors/breakdown of increase or decrease
<b>Net sales</b>	14,523	<b>15,386</b>	+5.9%	(Factor) Adjustment of selling prices
<b>Gross profit</b>	4,039	<b>4,197</b>	+3.9%	
SG&A	3,744	<b>3,669</b>	-2.0%	(Factor) Decrease in freightage, etc.
R&D expenses	635	<b>634</b>	-0.2%	
<b>Operating profit</b>	295	<b>528</b>	+178.8%	
Non-operating profit (loss)	550	<b>405</b>	-26.4%	(Factor) Foreign exchange gains -186
<b>Ordinary profit</b>	846	<b>933</b>	+10.4%	
<b>Profit before tax</b>	846	<b>933</b>	+10.3%	
<b>Profit*</b>	504	<b>569</b>	+13.0%	

\* Profit attributable to owners of parent, the same hereafter

# Trends in Net sales and Gross profit margin



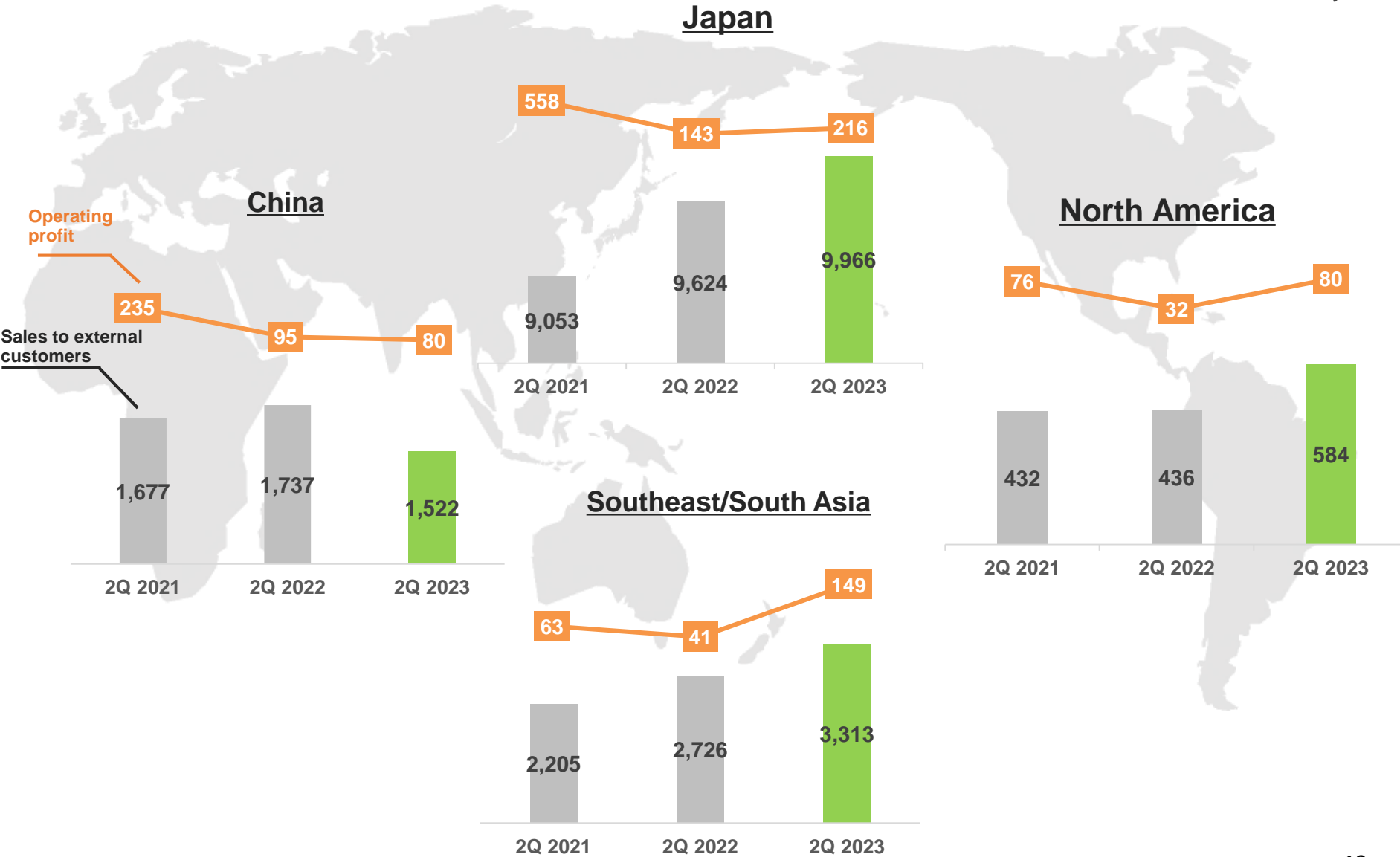
➤ The decline in gross profit margin has slowed down.



# Sales and Operating profit trends by segment



Million yen



# Consolidated Balance sheet



(Million yen)	FY23 first half	Increase (decrease)		FY23 first half	Increase (decrease)
Cash and deposits	3,756	(500)	Trade payables	4,467	(677)
Trade receivables	7,453	(143)	Interest-bearing liabilities	2,983	130
Inventories	6,378	72	Other current liabilities	1,629	(445)
Other	566	(87)	Other non-current liabilities	748	42
<b>Total current assets</b>	<b>18,153</b>	<b>(657)</b>	<b>Total liabilities</b>	<b>9,827</b>	<b>(950)</b>
Property, plant and equipment	9,114	514	Capital stock and capital surplus	4,094	0
Intangible assets	744	163	Retained earnings	14,145	385
Investments and other assets	4,166	145	Treasury shares	(561)	6
<b>Total non-current assets</b>	<b>14,024</b>	<b>822</b>	Accumulated comprehensive income	1,739	494
			Non-controlling interests	2,963	257
<b>Deferred assets</b>	<b>32</b>	<b>26</b>	<b>Total net assets</b>	<b>22,381</b>	<b>1,141</b>
<b>Total assets</b>	<b>32,208</b>	<b>191</b>	<b>Total liabilities and capital</b>	<b>32,208</b>	<b>191</b>

Note) Increase (decrease): comparison with FY2023 first half

# Consolidated Cash flow

Million yen

- Profit before tax: 933
- Depreciation: 556
- Increase in trade receivables: (298)
- Increase in inventories: (418)
- Increase in trade payables: 389

+ 1,004

- Increase/decrease in borrowings: 114
- Dividends paid: (185)

(1,305)

(115)

(84)

- ✓ Property, plant and equipment: (1,062)
- ✓ Intangible assets: (213)

4,186

3,686

Balance at beginning of period

Operating CF

Investing CF

Financing CF

Translation difference

Balance at end of 2Q 2023

## ➤ Assumptions for full-year forecast

Crude oil price: 90 dollars/b Exchange rate: 130 dollars/yen

(Million yen)	23/2Q	Full-year forecast	Progress rate
Net sales	15,386	34,500	44.6%
Operating profit	528	1,400	37.7%
Ordinary profit	933	1,600	58.3%
Profit	569	700	81.3%

## ➤ Dividend per share

20 yen for interim, 25 yen estimated for year-end (including commemorative dividend of 5 yen)



# Realization of a Sustainable Society

Certifying products that may significantly contribute to the initiatives for our seven issues of materiality based on evaluation of the entire product cycle from procurement of raw materials to disposal



## Contribution categories

<b>CO2 emission control</b> 	<b>Health and safety</b> 	<b>Improvement of working environments</b> 	<b>Energy saving</b> 	<b>Environmental conservation</b> 	<b>Contribution to industrial development</b> 
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## MORESCO Green SX Representative Products



Energy conservation   Environmental conservation  
Building of a better workplace

### Water-soluble minimum quantity spray type release agent GRAPHACE MQ Series

Generally, mold release agents are diluted tens to hundreds of times, but the products developed by our company are not diluted, making them extremely stable. Since only a very small amount is applied, waste liquid is reduced and a longer mold life is achieved, reducing production costs.

Compared to general release agents, this product reduces petrochemical-derived raw materials by 38% per product produced by the customer.

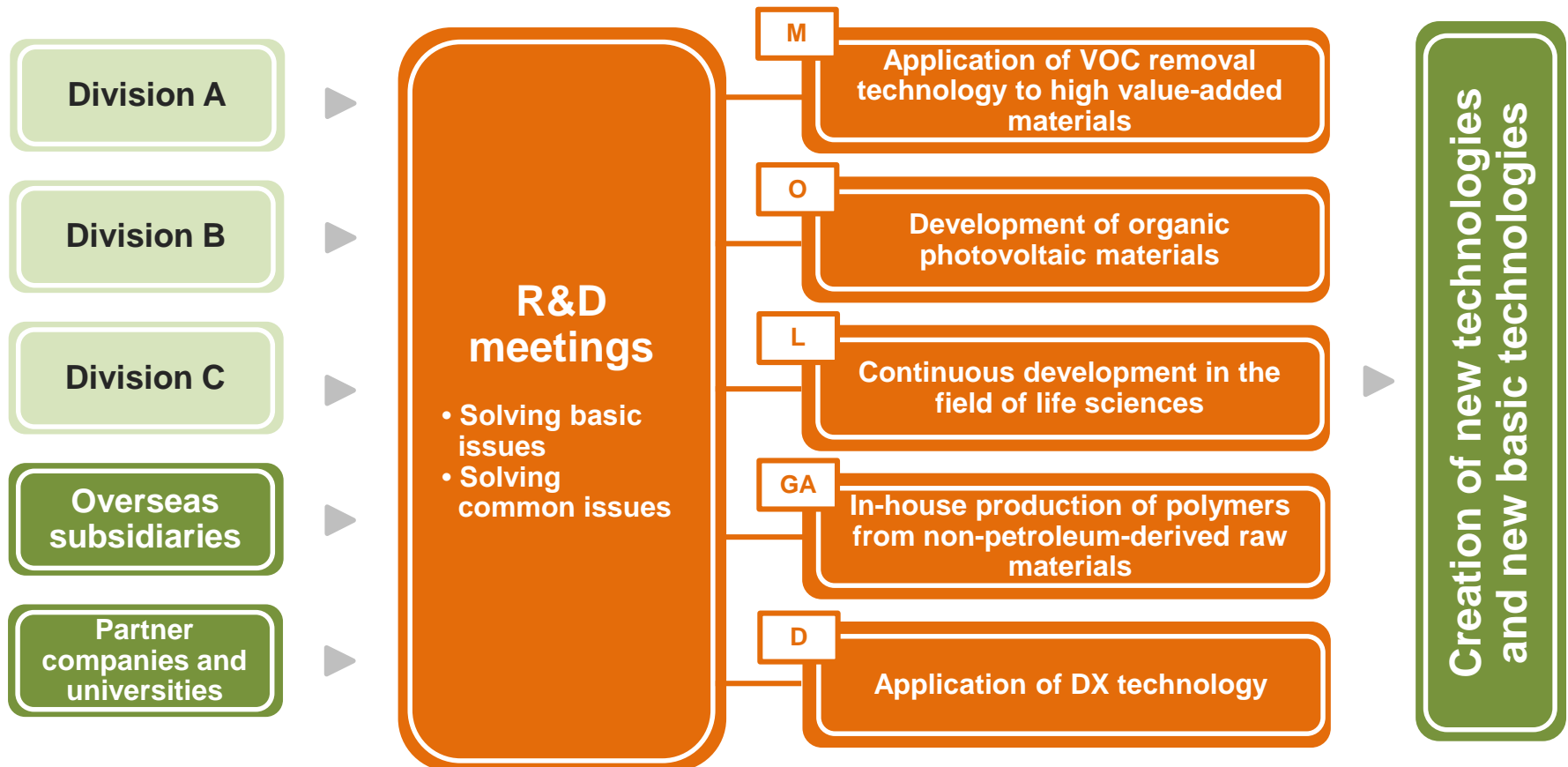
This contributes to improving the work environment by reducing compressor power consumption, reducing the amount of mold release mist scattered, and reducing noise.



Toward achieving the FY2030 target, working on improvement of existing products and development of new products

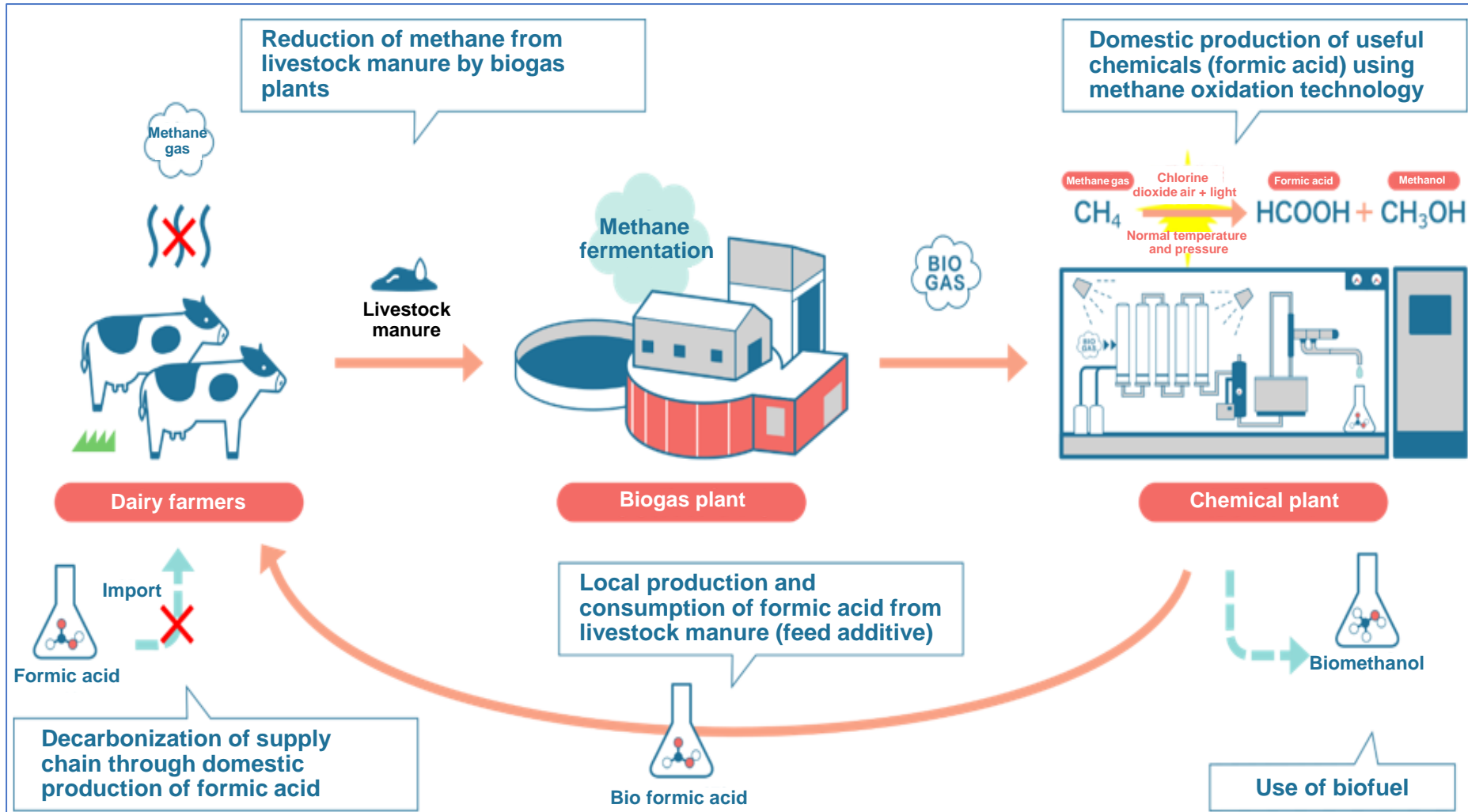


- Development system across Divisions, based on collaborations within the company and with industry, government, and academia
- Launch of **MOLGAD**, a company-wide project



...

➤ Launch a consortium and aim to produce 10 tons of formic acid per year by 2026



- Participating in a consortium launched by Prof. Miyasaka, Toin University of Yokohama
- Aim to develop a prototype by spring 2024 and start commercial production within the next three years

## Consortium

**Peccell Technologies, Inc.**  
(Representative: Prof. Miyasaka)

**MORESCO Corporation**

**MACNICA, Inc.**

**REIKO Co., Ltd.**

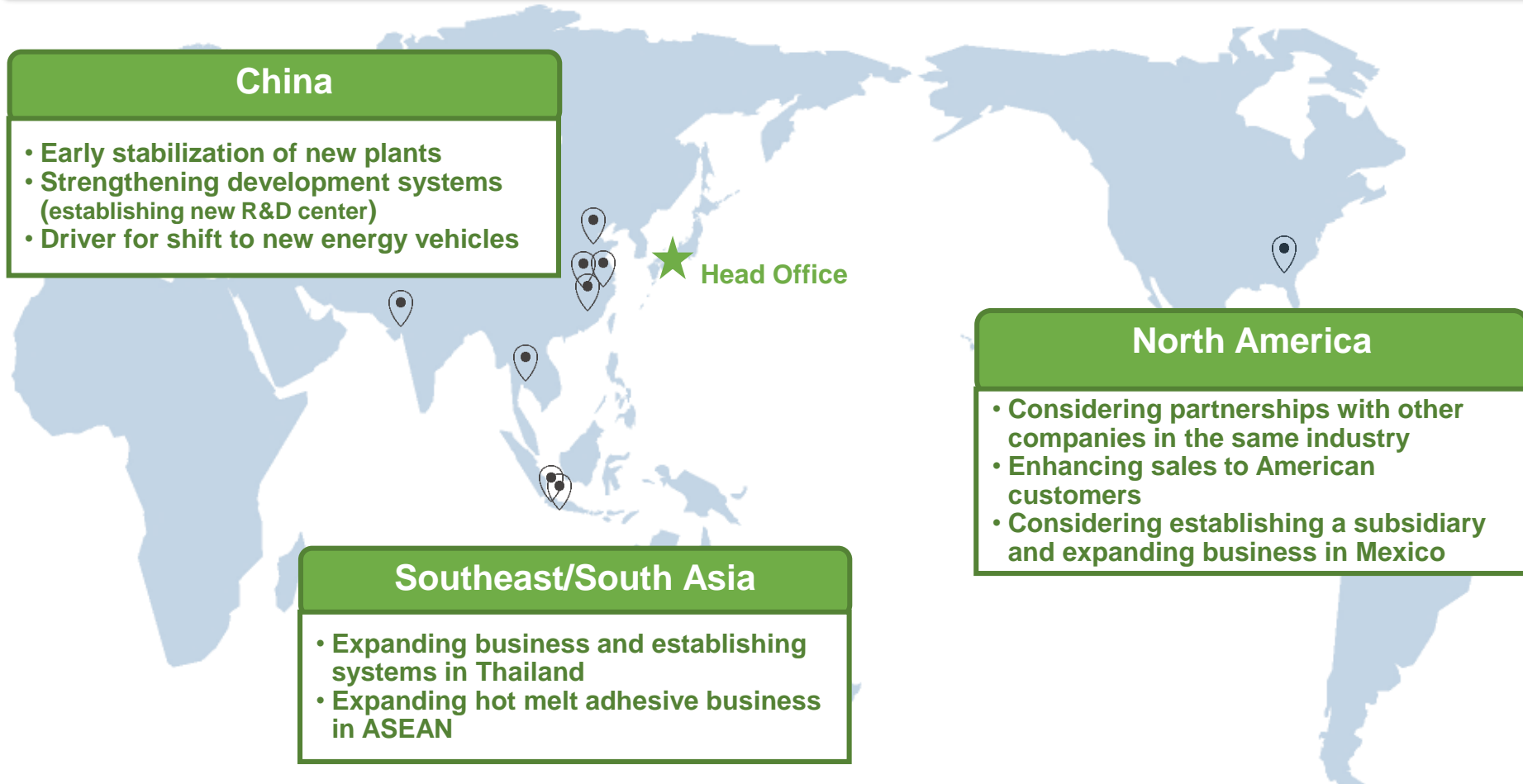


**[Special lecture] Prof. Miyasaka visited MORESCO and gave a lecture.  
(October 12, 2023)**

# **Accelerating Global Expansion**

# Enhancement of the structure for global expansion **MORESCO**

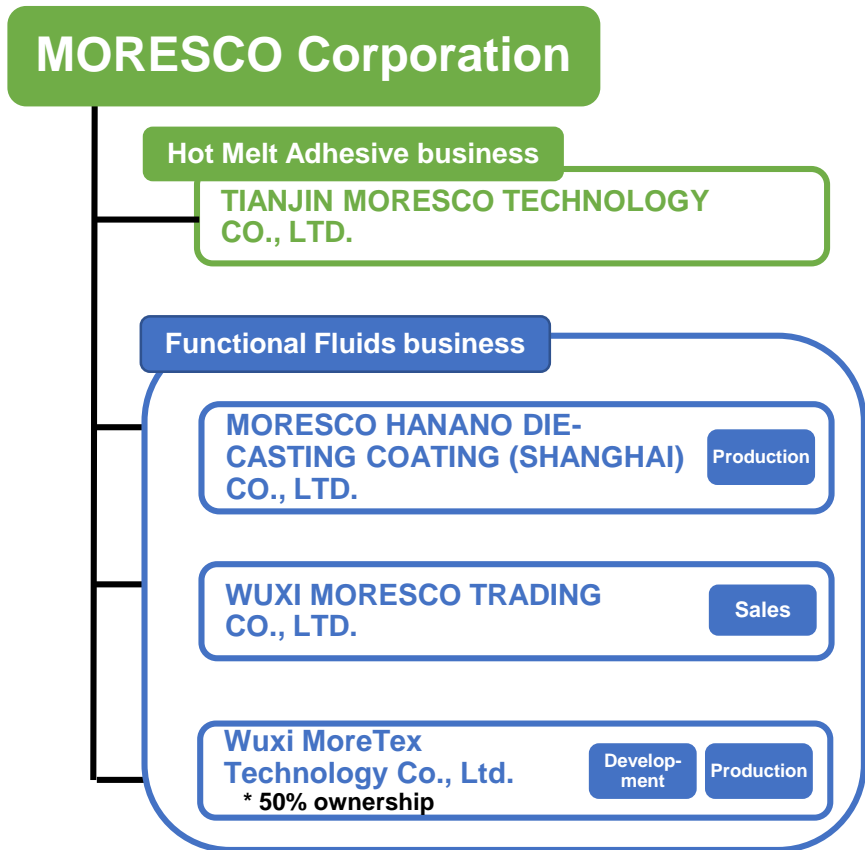
- Assigning an executive officer in charge for each area to promptly respond to customer needs
- Enhancing R&D function of each area to accelerate market launch of new products



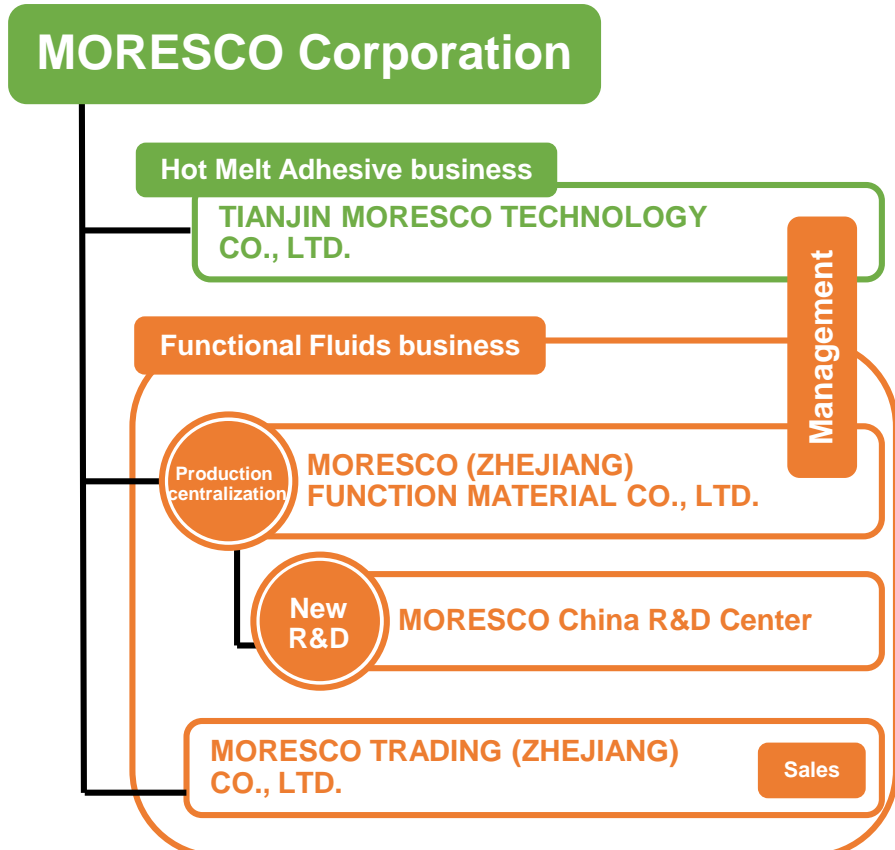


- Improving production capacity and efficiency in functional fluids business and streamlining management operations
- Strengthening development systems (establishing new R&D center)

## Before reorganization



## After reorganization



## Expansion of Functional Fluids business

### Market share of die casting lubricants

- Enhancing stable supply by securing production sites
- Acquiring sales channels for American parts manufacturers and expanding sales
- Promoting new product development through in-house production of raw materials



Source: Based on in-house survey



MORESCO USA Inc.



Cross Technologies Group, Inc.



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October 16, 2023

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