

MORESCO Corporation

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

The 66th 3Q Financial Report

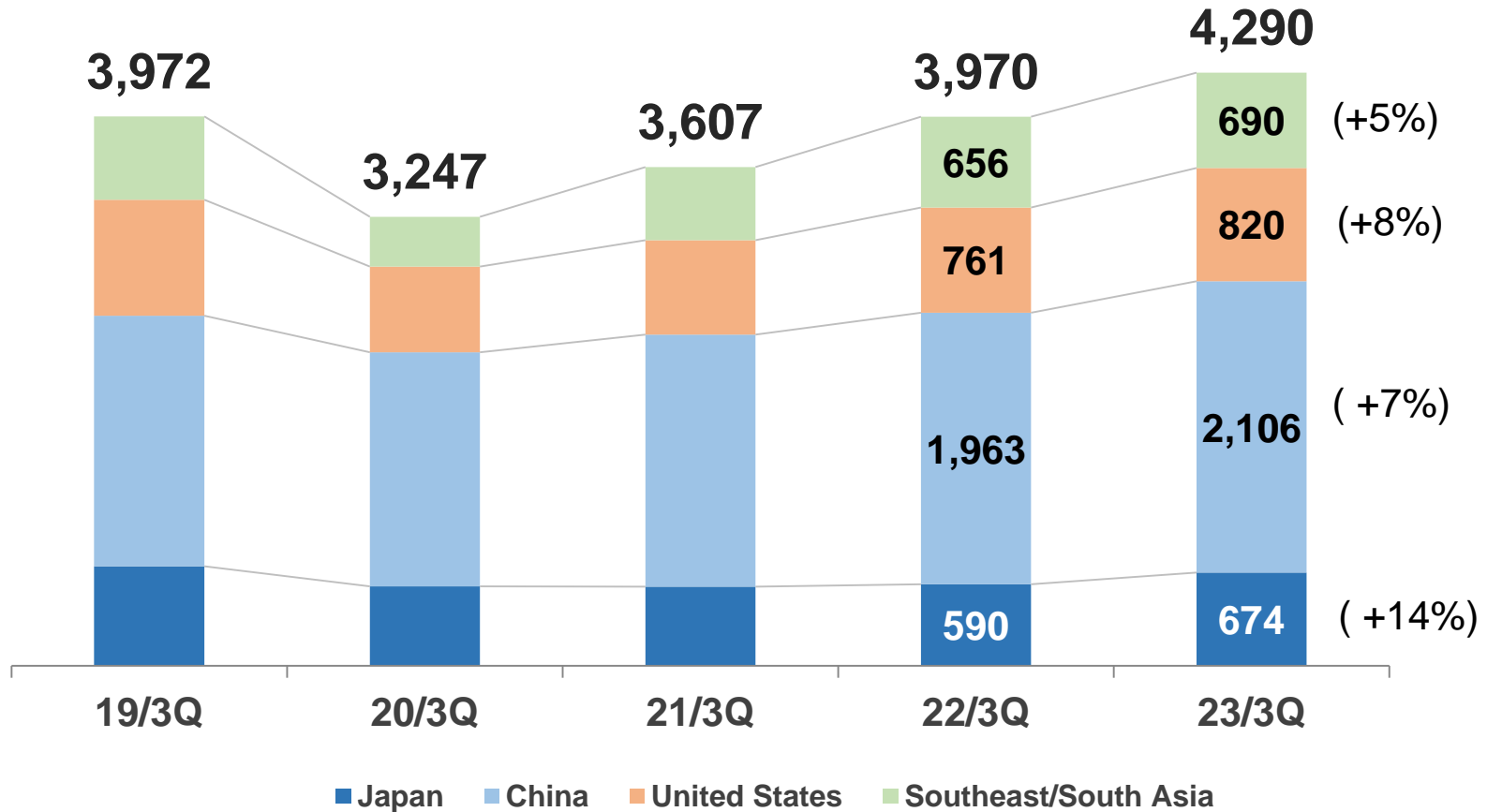
(From March 1, 2023 to November 30, 2023)

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

January 19, 2024

Changes in automobile production volume in regions of our sites

10,000 units
 (% compared to
 previous year)



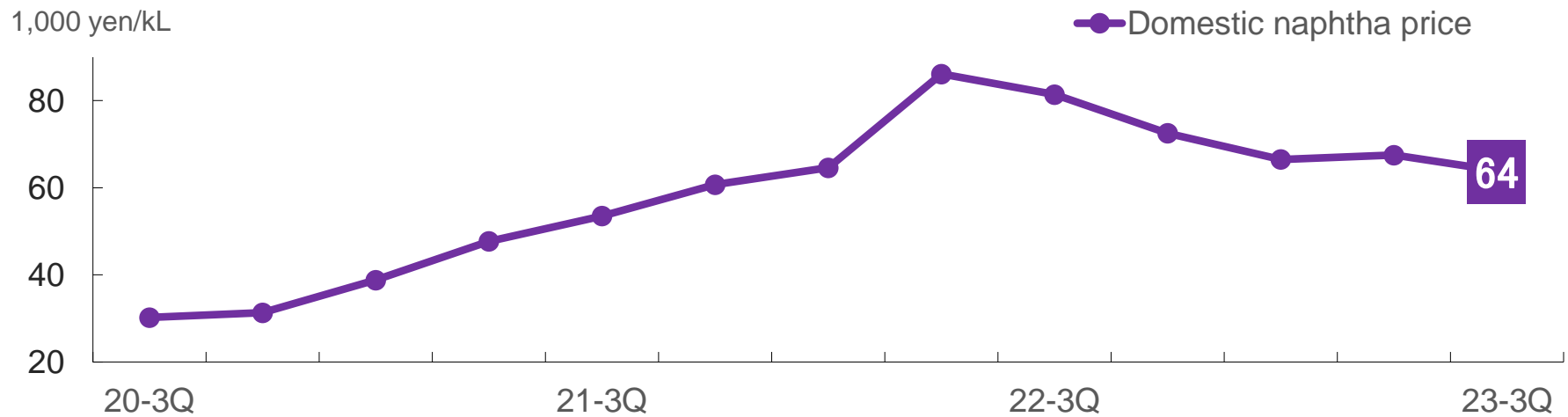
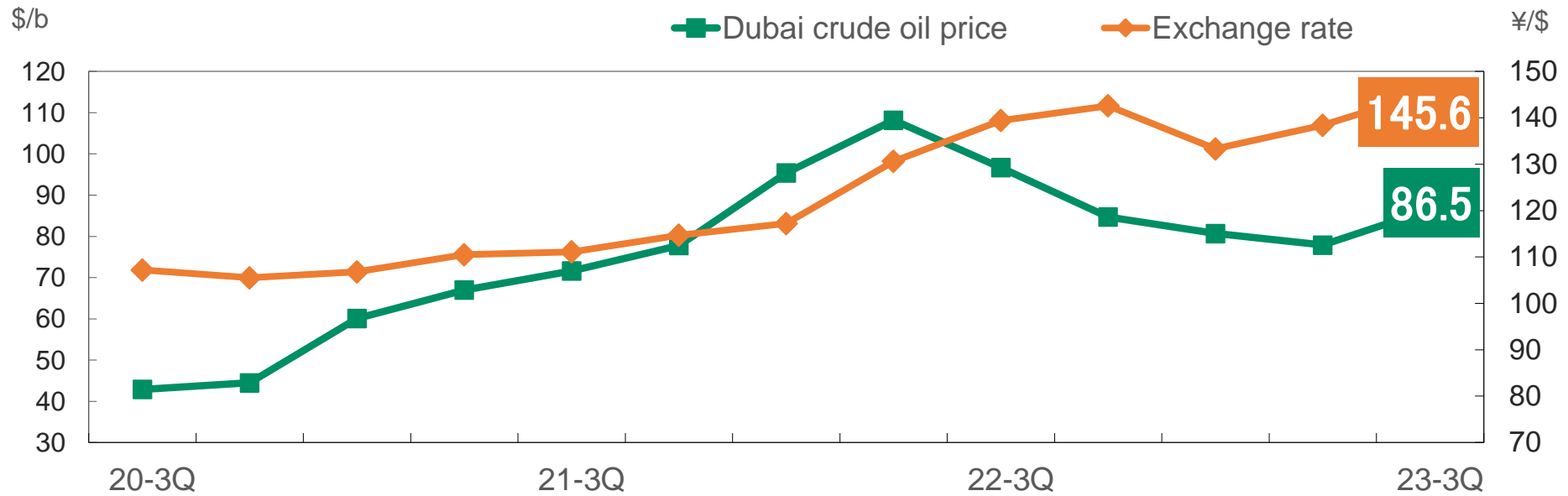
Source: Prepared by MORESCO based on data released by MarkLines Co., Ltd.

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.

Business Environment

- Raw material prices and Exchange rates



Consolidated Income Statement



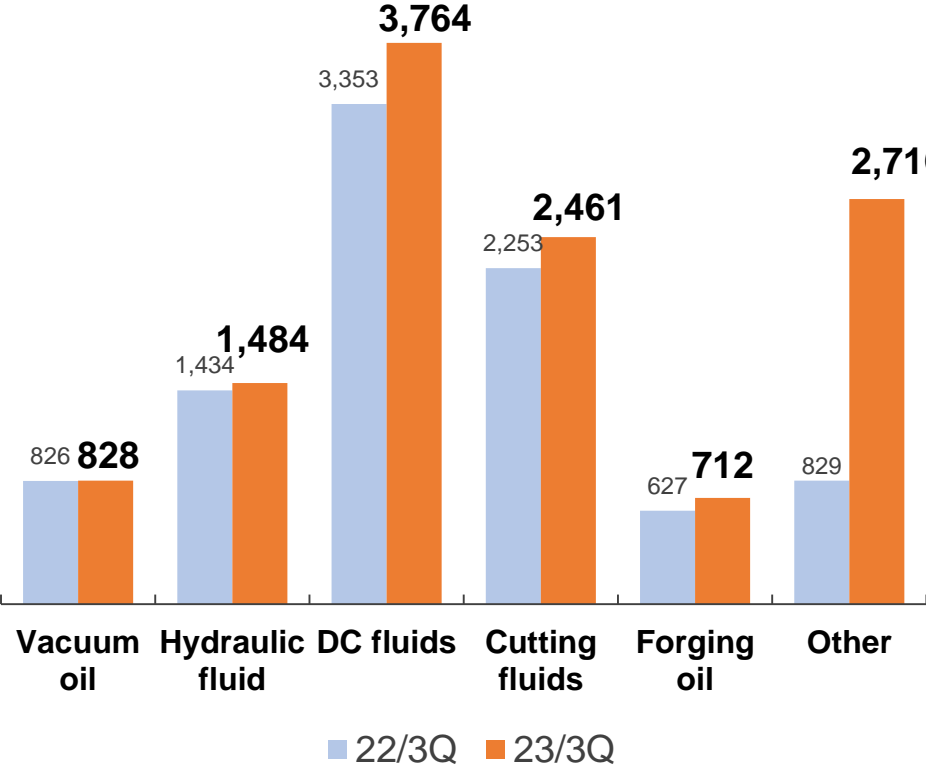
(Million yen)	22/3Q	23/3Q	Year-on-year change
Net sales	22,479	23,731	+5.6%
Gross profit	6,188	6,623	+7.0%
SG&A	5,677	5,572	-1.8%
Operating profit	511	1,050	+105.5%
Non-operating profit (loss)	633	649	+2.5%
Ordinary profit	1,144	1,699	+48.5%
Profit before tax	-	250	-
Profit*	719	1,335	+85.7%

* Profit attributable to owners of parent, the same hereafter

(Million yen)	22/3Q	23/3Q	Year-on-year change
Functional Fluids	11,081	11,965	+8.0%
Hot Melt Adhesive	5,801	6,419	+10.7%
Synthetic Lubricants	1,381	957	-30.7%
Liquid Paraffin & Sulfonates	2,849	2,993	+5.1%
Other	1,367	1,397	+2.1%
Total net sales	22,479	23,731	+5.1%

[Net sales] **Up 8.0%** year on year (¥11,965 million)
[Sales volume] **Down 11.2%** year on year

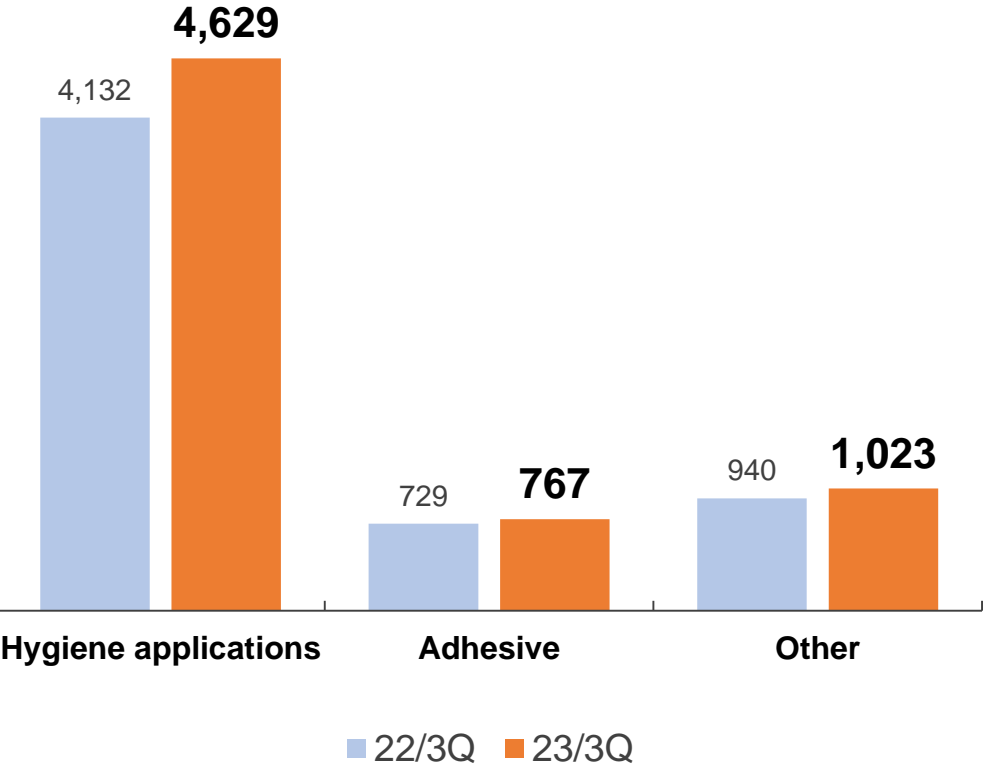
Million yen



- **Japan**
Shipments of DC fluids increased as automobile production resumed operations.
- **China**
Shipments decreased due to the decline in operating rates of Japanese automobiles.
- **Southeast/South Asia, North America**
Shipments increased due to an increase in the number of automobiles produced.

[Net sales] **Up 10.7%** year on year (¥6,419million)
[Sales volume] **Up 4.2%** year on year

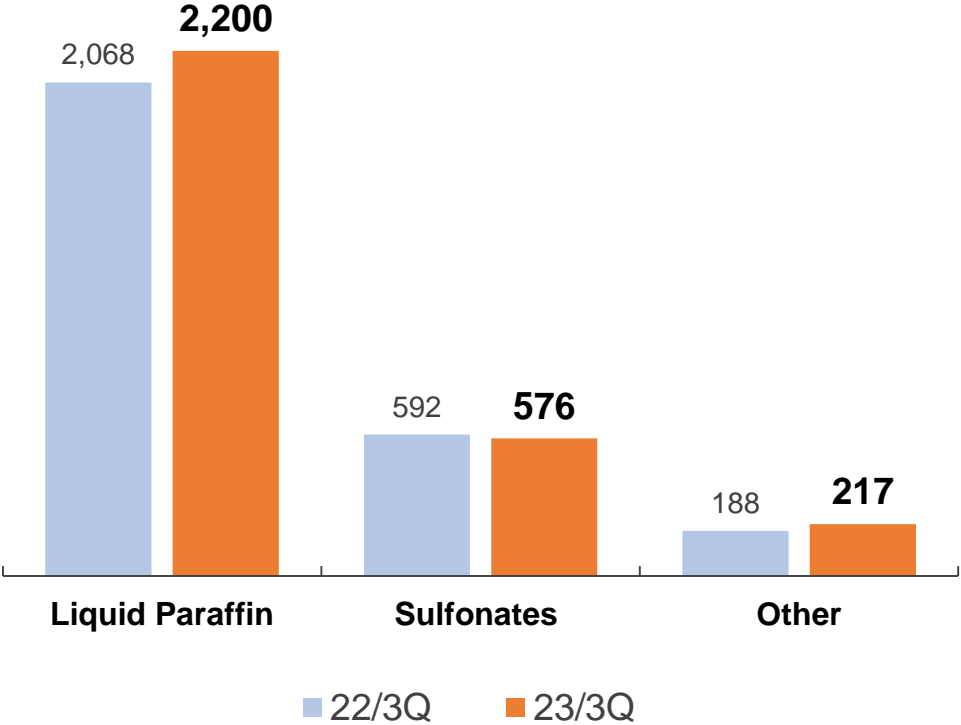
Million yen



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

[Net sales] **Up 5.1%** year on year (¥2,993 million)
[Sales volume] **Down 5.8%** year on year

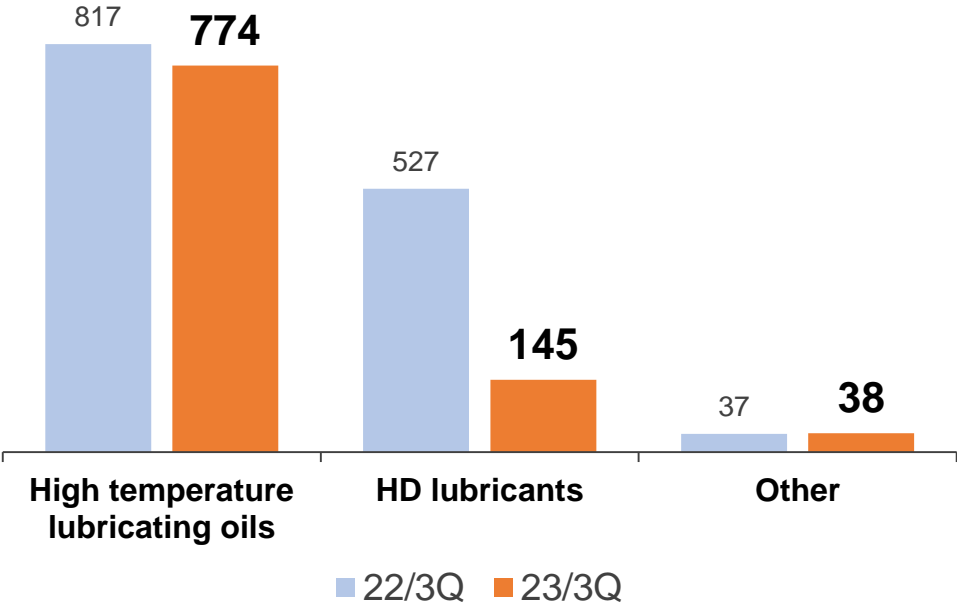
Million yen



- **Liquid Paraffin**
Sales of polystyrene plasticizer products have been on a recovery trend since the previous fiscal year.
- **Sulfonates**
Shipments decreased due to inventory adjustments at auto parts manufacturers.

[Net sales] **Down 30.7%** year on year (¥957 million)
[Sales volume] **Down 21.2%** year on year

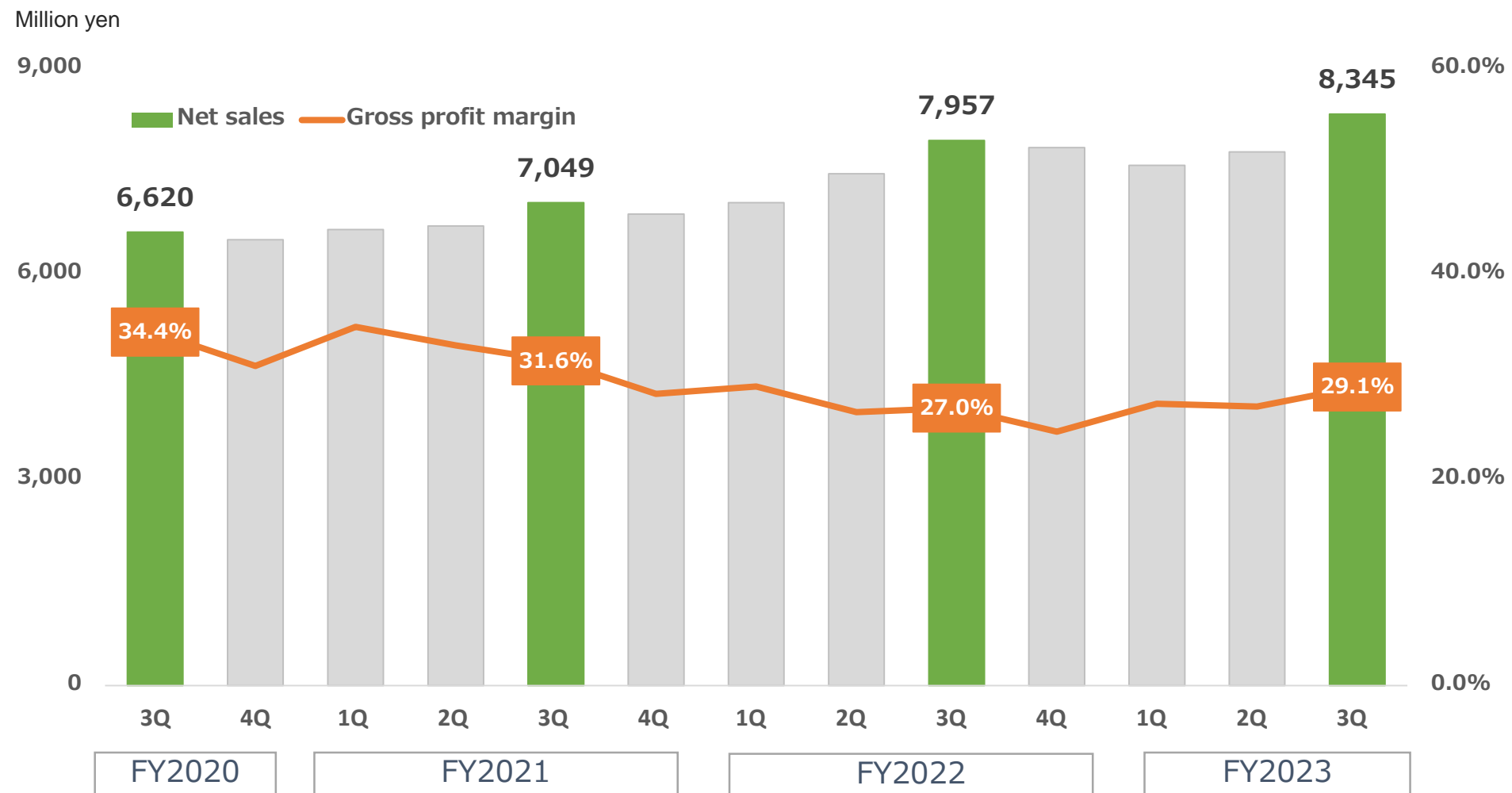
Million yen



➤ **Hard disk surface lubricant**
Sales decreased due to a decline in data center investment.

Trends in Net sales and Gross profit margin

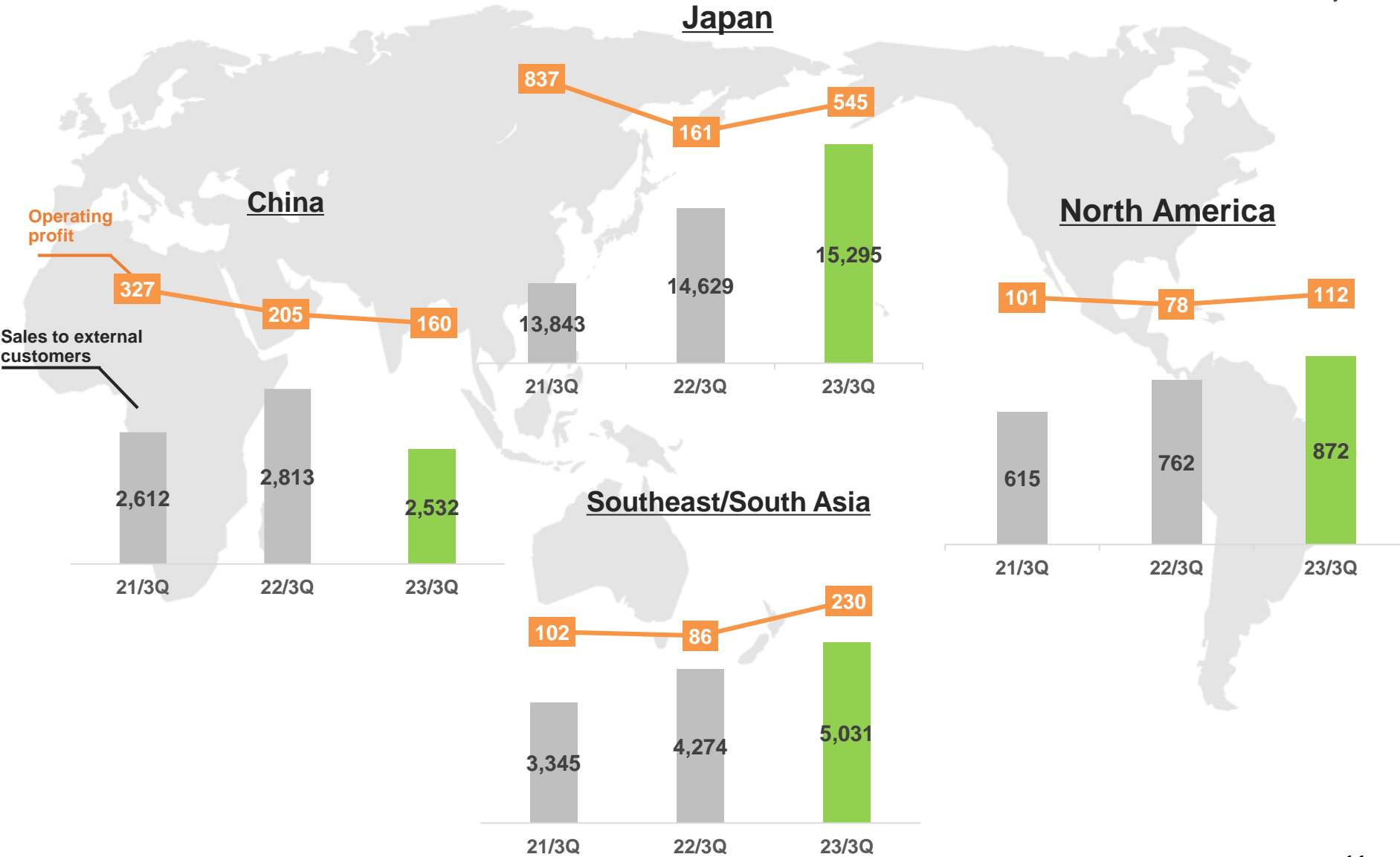
➤ The decline in gross profit margin has slowed down.



Sales and Operating profit trends by segment



Million yen



➤ Assumptions for full-year forecast


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

(Million yen)	23/3Q	Full-year forecast	Progress rate
Net sales	23,731	34,500	68.8%
Operating profit	1,050	1,400	75.0%
Ordinary profit	1,699	1,600	106.2%
Profit	1,335	700	81.3%

➤ Dividend per share

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

➤ Due to the conversion of Wuxi MoreTex Technology Co., Ltd. into a wholly owned subsidiary (in October 2023), an extraordinary profit (285 million yen) was recorded as a gain on negative goodwill.



2024年1月9日

各位

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無錫徳松科技有限公司の子会社化に伴う持分法による投資利益および特別損益の計上に関するお知らせ

2023年4月13日に開示しました「中国関連会社の工場用地取用に関するお知らせ」および2023年8月28日に開示しました「無錫徳松科技有限公司の持分取得（子会社化）に関するお知らせ」に記載のとおり、中国政府の要請による工場用地取用および無錫徳松科技有限公司の子会社化に伴う持分法による投資利益および特別損益を計上する見込みとなりましたので、下記のとおりお知らせいたします。

記

無錫徳松科技有限公司の中国政府の要請による工場用地取用に関する補償金の受取り完了が予定より早くなったことにより、2024年2月期第3四半期に持分法による投資利益として151百万円を計上する見込みとなりました。また当社は、2023年9月28日に無錫徳松科技有限公司を完全子会社化しておりますが、当期における重要性が増加したことから同社を連結子会社といたします。これにより、2024年2月期第3四半期に段階取得に係る差損として34百万円を特別損失に、負ののれん発生益として285百万円を特別利益に計上する見込みです。

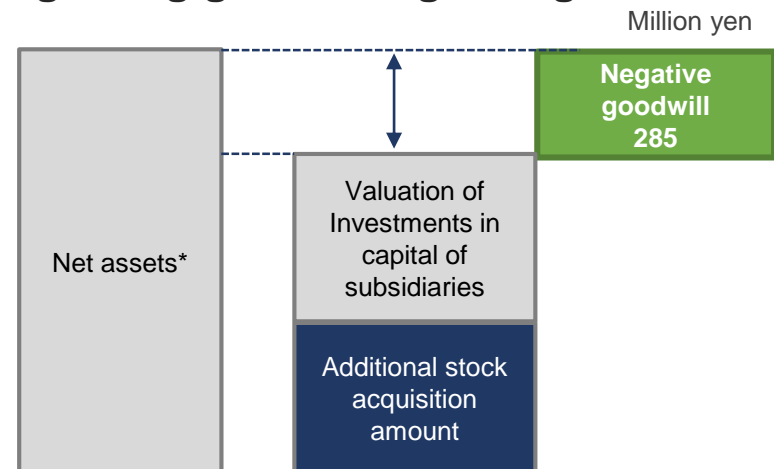
連結業績予想への影響は現在精査中であり、必要ある場合は開示いたします。

以上

■ Our business restructuring in China

October 2023	Our company has made Wuxi MoreTex Technology Co., Ltd. a wholly owned subsidiary. (50% → 100%)
June 2024 (planned)	MORESCO (ZHEJIANG) FUNCTION MATERIAL CO., LTD. will be the surviving company and will be merged with Wuxi MoreTex Technology Co., Ltd. and MORESCO HANANO DIE-CASTING COATING (SHANGHAI) CO., LTD.

■ Regarding gain on negative goodwill

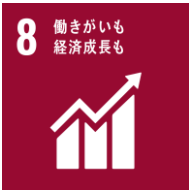


* Net assets include a loss of 34 million yen related to step acquisition.



Excellent Health and Productivity Management Organization (Large Enterprise Category)

Certified for 3 consecutive years

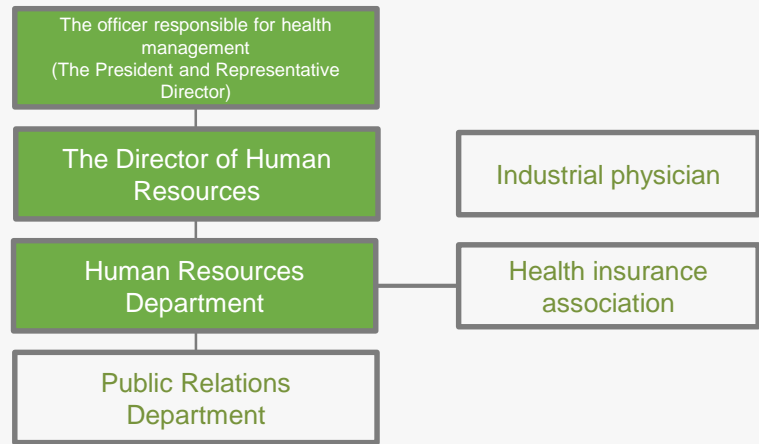


*A system to honor corporations that practice particularly excellent health management (Ministry of Economy, Trade and Industry)

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





- Performance outlook and other information related to future forecasts and strategies contained in this material is based on the Company's decisions at the time of preparation of this material and is subject to change in the future without prior notice.
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