

MORESCO Corporation

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

The 67th 1Q Financial Report

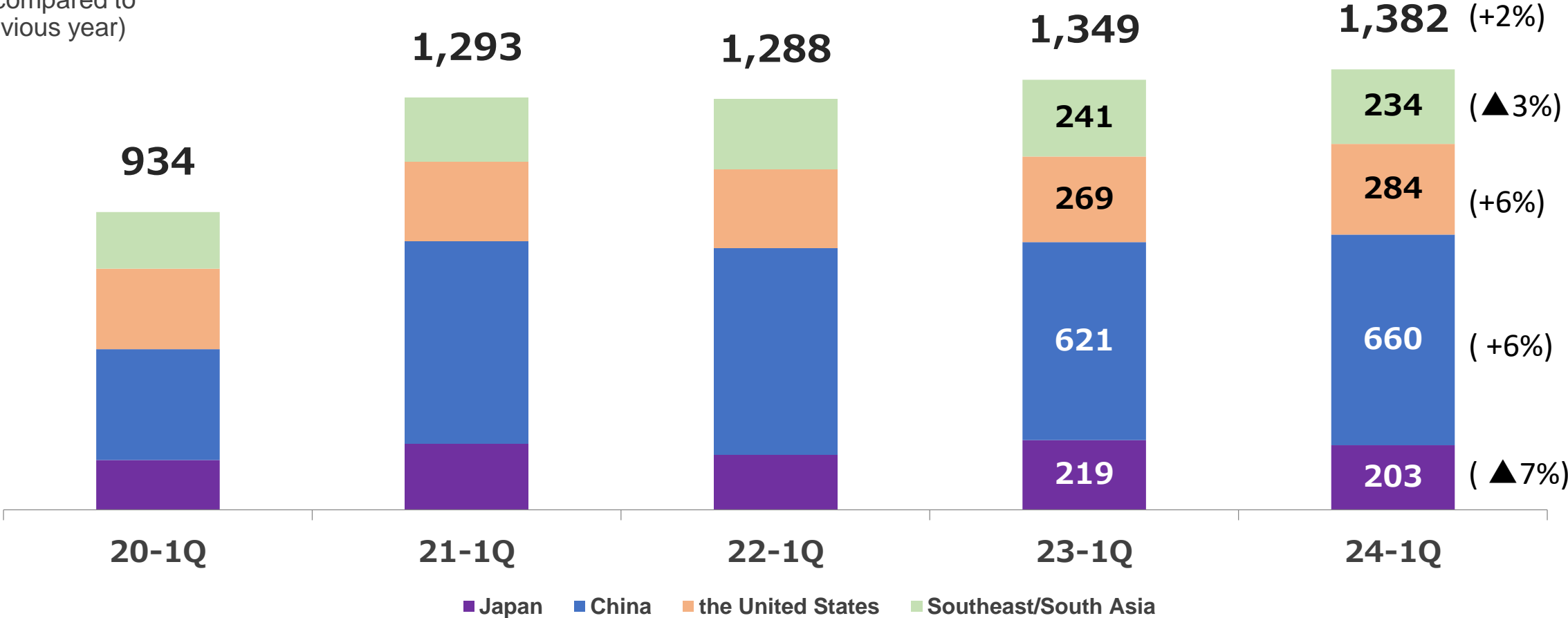
(From March 1, 2024 to May 31, 2024)

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

July 22, 2024

Volume of automobile production in areas where our business sites are located

10,000 units
(% compared to
previous year)

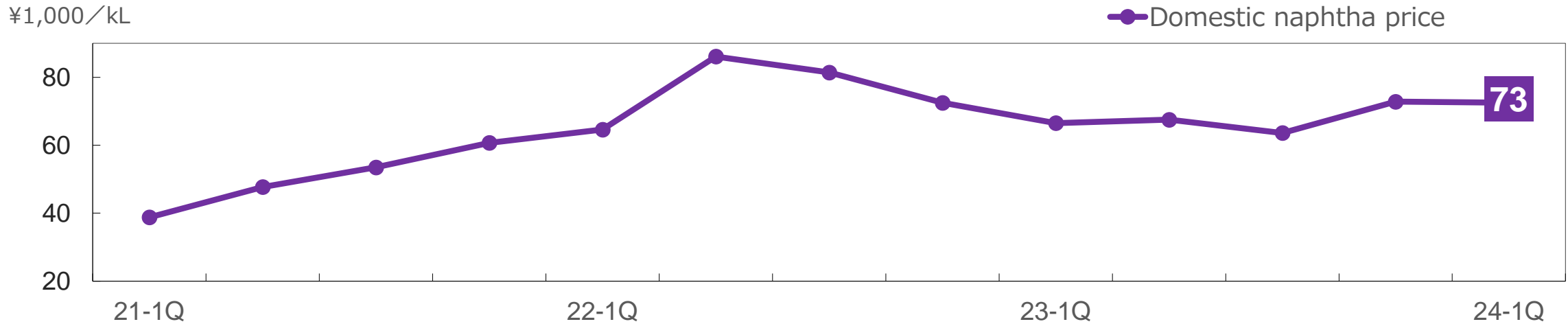
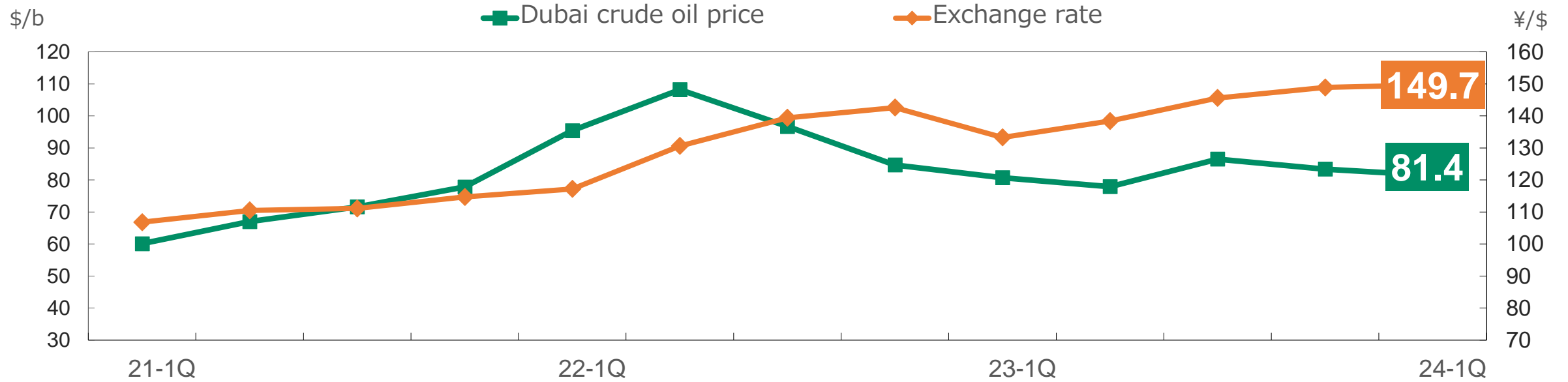


Source: Prepared by MORESCO based on data released by MarkLines Co., Ltd.

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

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

Business Environment - Trends in crude oil, foreign exchange, and naphtha prices*



* The average exchange rate in the fiscal year ended February 2024 was ¥141.2/\$1.

Note: The prices of crude oil and naphtha and the exchange rates are on a three-month average basis.

Consolidated Statement of Income

Net sales

- An increase in sales volume and sales price adjustments
- Contribution of business acquisition in overseas subsidiary

Operating Profit

- Securing gross profit by adjusting sales price
- An increase in shipment of high-value-added products
- An increase in SG&A due to the temporary expense for the domestic development project

Profit

- Recognition of foreign exchange gains

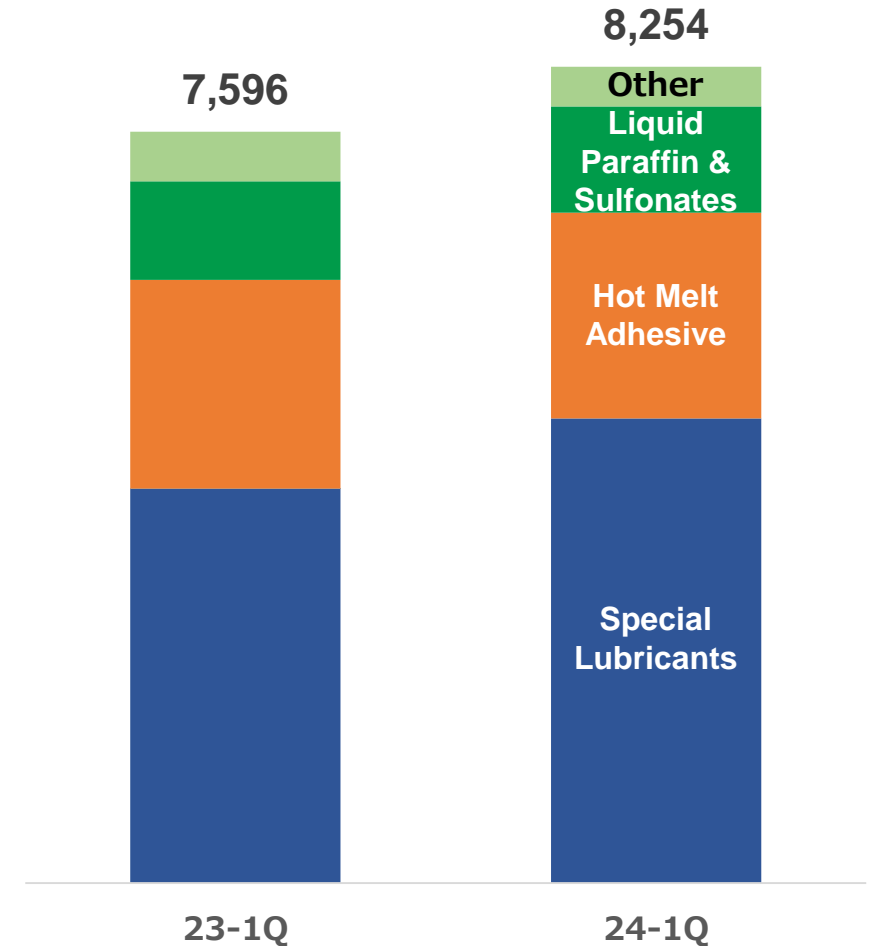
(Million yen)	23-1Q	24-1Q	Year-on-year change
Net sales	7,596	8,254	+8.7%
Gross profit	2,083	2,330	+11.9%
SG&A	1,826	2,140	+17.2%
Operating profit	257	189	▲26.3%
Non-operating profit (loss)	138	260	+88.4%
Ordinary profit	395	450	+13.8%
Profit before tax	395	402	+1.8%
Profit*	224	250	+11.6%

* Profit attributable to owners of parent.

Net sales by Division

Recorded higher sales due to demand recovery in hard disk surface lubricant and liquid paraffin

(Million yen)	23-1Q	24-1Q	Year-on-year change
Special Lubricants Division	3,989	4,696	+17.7%
Hot melt Adhesive Division	2,108	2,081	▲1.3%
Liquid Paraffin & Sulfonates Division	998	1,076	+7.8%
Other	501	401	▲20%
Total net sales	7,596	8,254	+8.7%



[Net sales] **Up 17.7%** year on year (¥4,696 million) [Sales volume] **Up 8.9%** year on year

➤ **DC fluids**

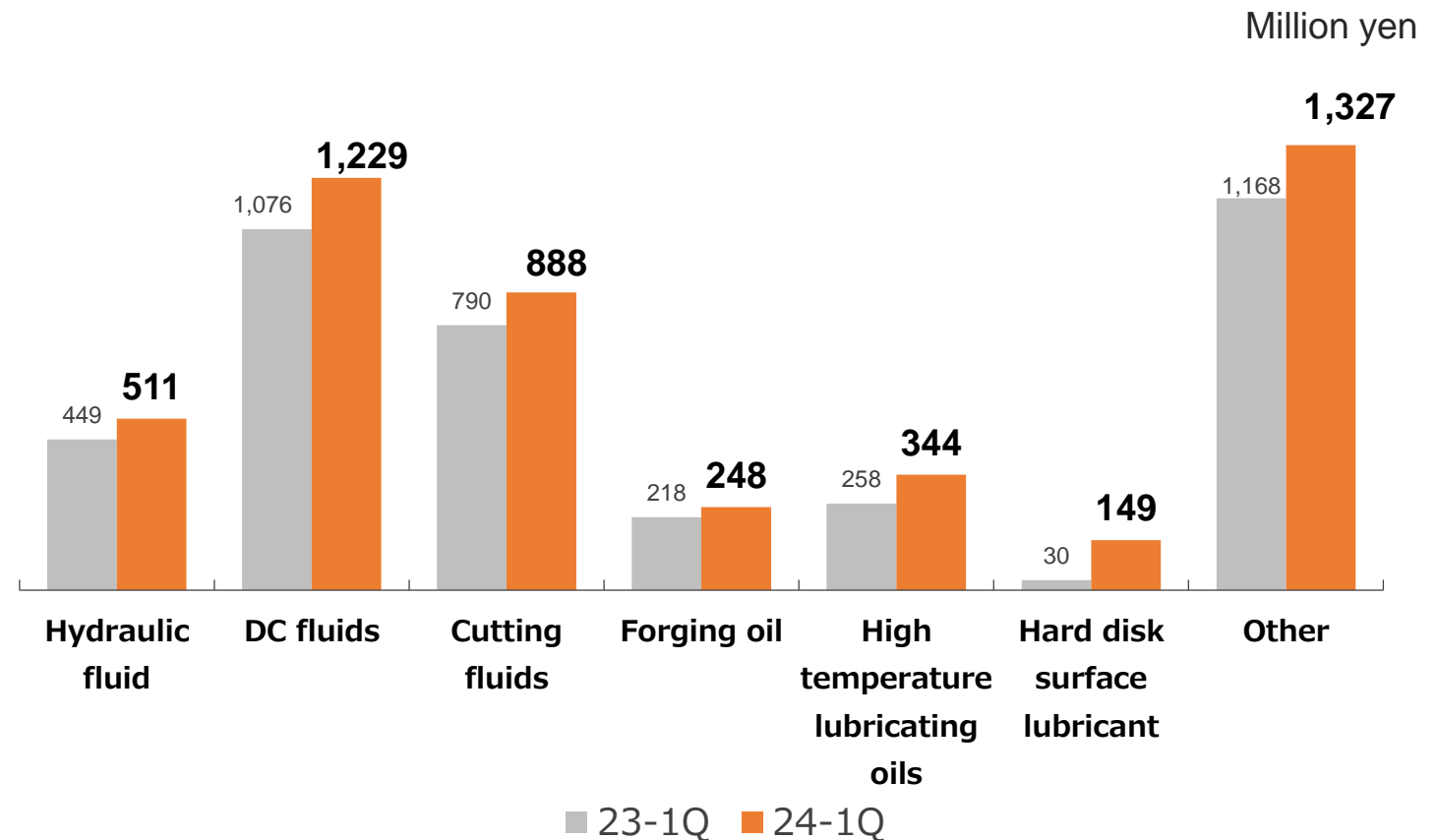
Sales increased due to an increase in the automobile production volume in the United States and new consolidated subsidiary.

➤ **Cutting fluids**

Sales to customers in China and North America increased.

➤ **Hard disk surface lubricant**

Demand from the main customers recovered.



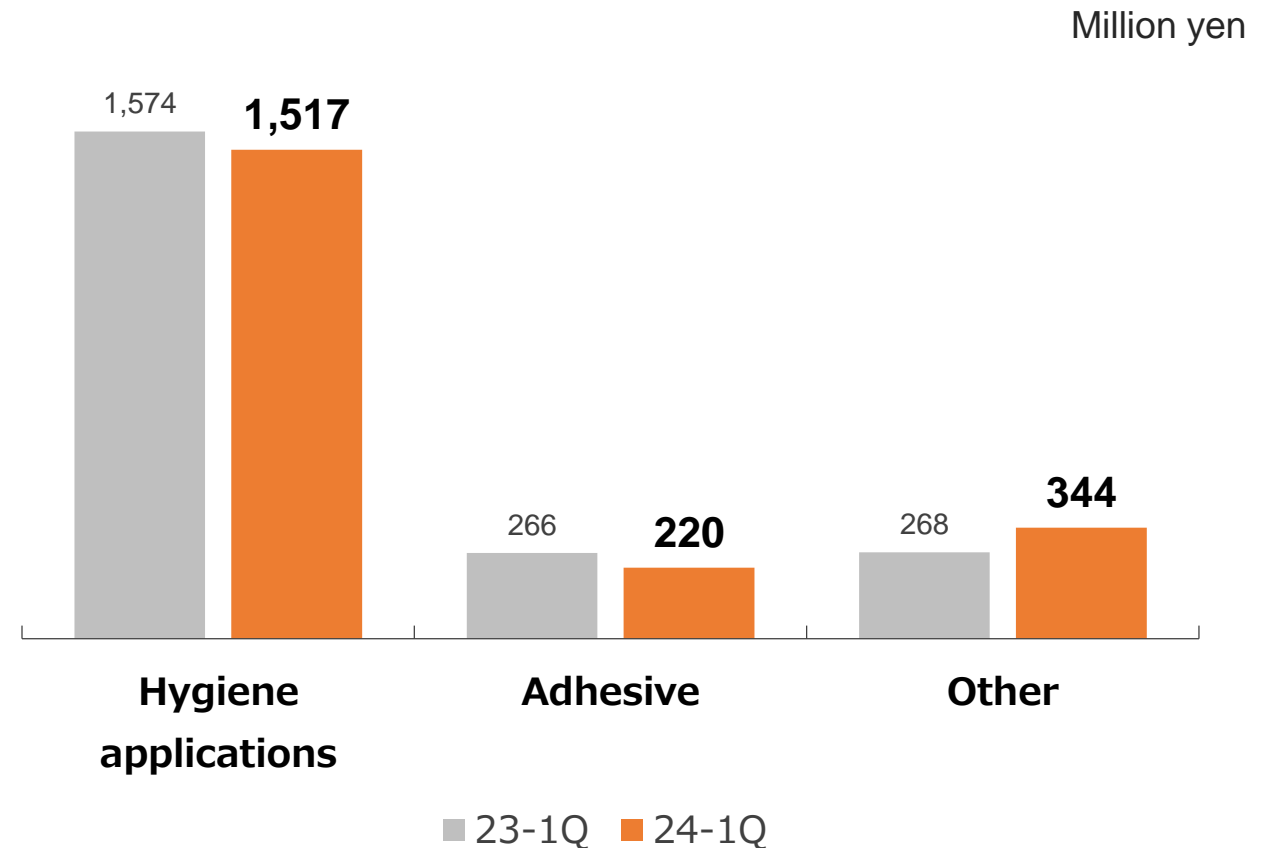
[Net sales] **Down 1.3%** year on year (¥2,081 million) [Sales volume] **Down 0.8%** year on year

➤ Hygiene applications

Sales were favorable in Japan, on the other hand, there was an inventory adjustment and a demand decrease in Southeast/South Asia.

➤ Adhesive

The demand in Southeast/South Asia decreased.



[Net sales] **Up 7.8%** year on year (¥1,076 million) [Sales volume] **Up 7.1%** year on year

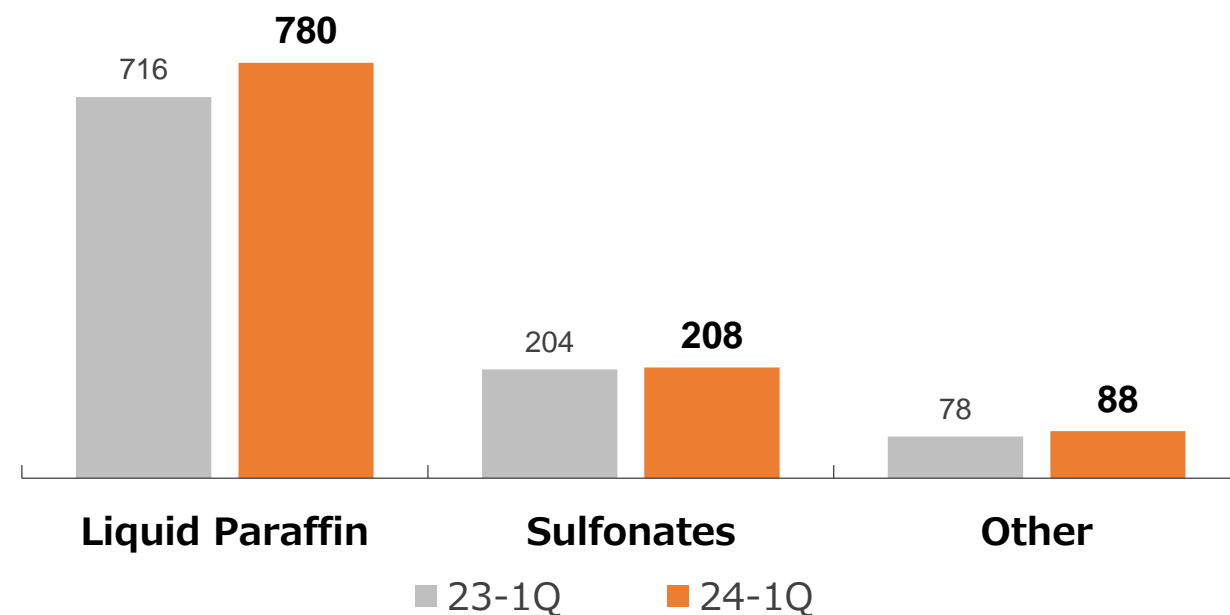
Million yen

➤ Liquid Paraffin

Sales increased due to recovery in main customer demand.

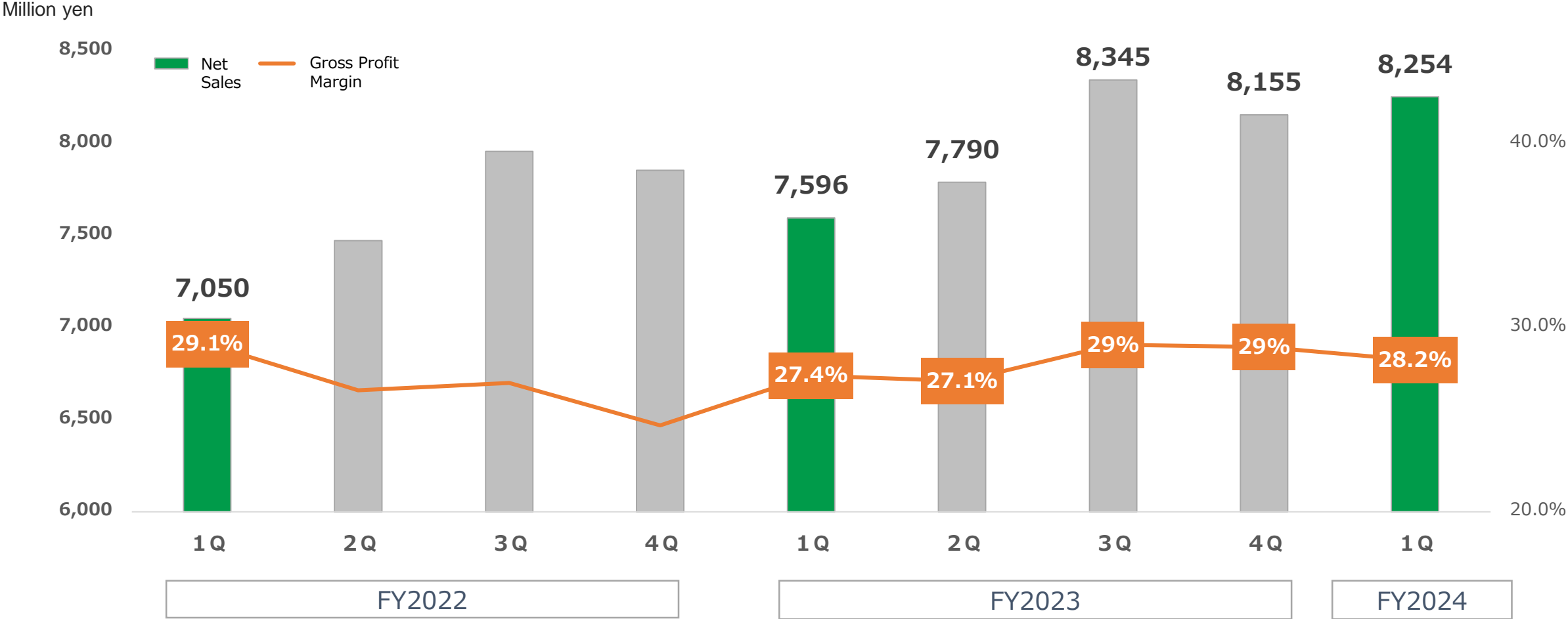
➤ Sulfonates

Slightly increased year on year.



Net Sales and Gross Profit Margin

Profit ratio remains at roughly the same level due to the promotion of price adjustments and an increase in sales of high-value-added products



Segment Profits and Losses

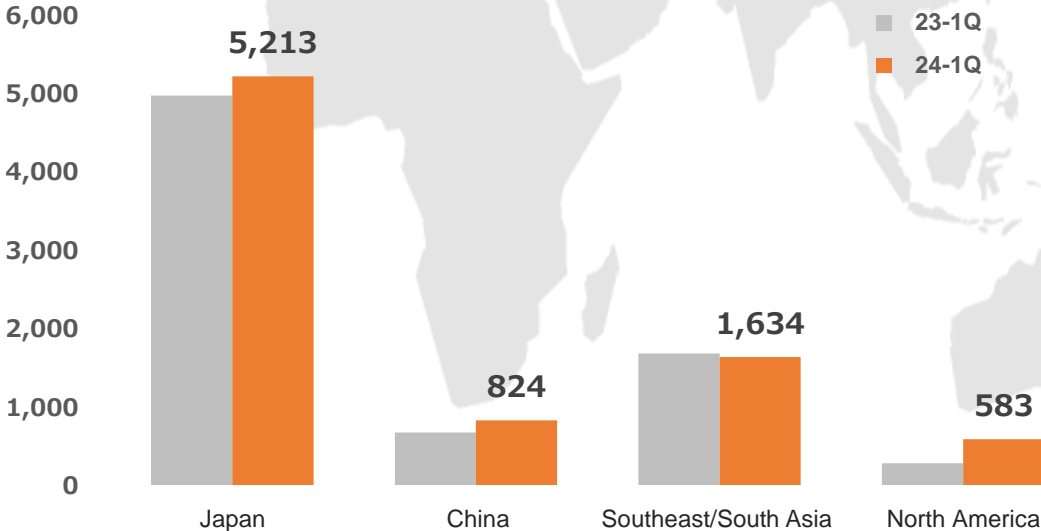
[Japan] Recorded higher sales due to the sales recovery of hard disk surface lubricants. On the other hand, profits declined due to a temporary increase in SG&A

[China] Recorded higher sales due to an increase in the volume of Japanese automobile production and an increase in shipment of hot melt adhesives for filters. Profits declined due to an increase in SG&A.

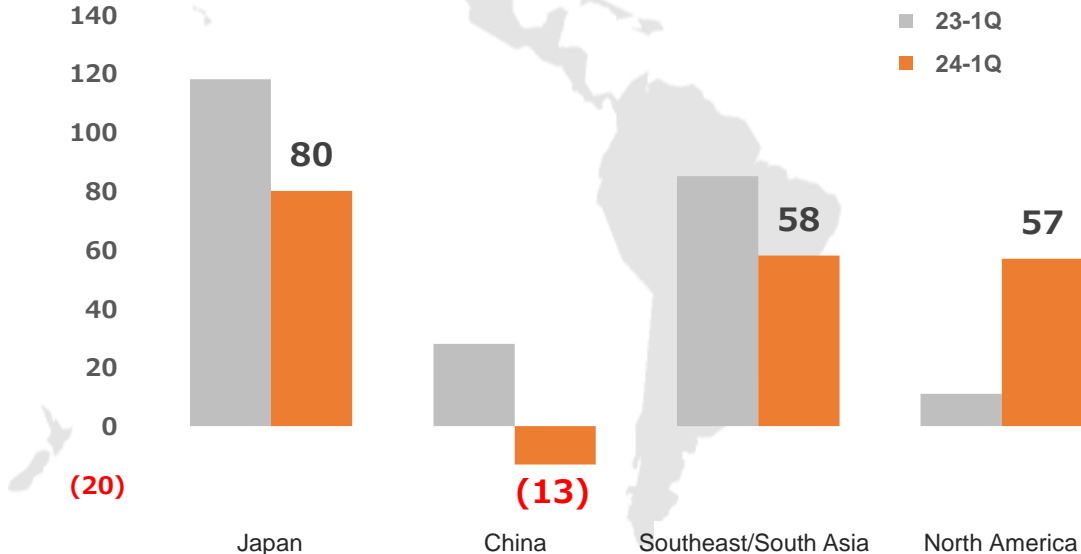
[Southeast/South Asia] Both sales and profits declined due to an decrease in the automobile production volume and a decline in demand for hot melt adhesives

[North America] Recorded higher sales and profits due to acquisition of businesses last year.

Net sales



Operating profit



➤ Premises of the full-year forecasts

Crude oil price: 97\$/b

Exchange rate:
\$145 dollars/¥1

➤ Dividend/share (forecasts)

Interim: ¥20; year-end: ¥25

(Million yen)	FY2023 Result	Forecasts for the fiscal year ending February 2025	YoY
Net sales	31,886	34,000	6.6%
Operating profit	1,225	1,500	22.5%
Ordinary profit	1,826	1,850	1.3%
Profit	1,283	1,050	▲18.2%



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