

**Contributing to the development of society as a specialist
in water, oil, and macromolecules**

Financial Results
for the 59th Fiscal Year
(From Mar 1, 2016 to Feb 28, 2017)

MORESCO Corporation

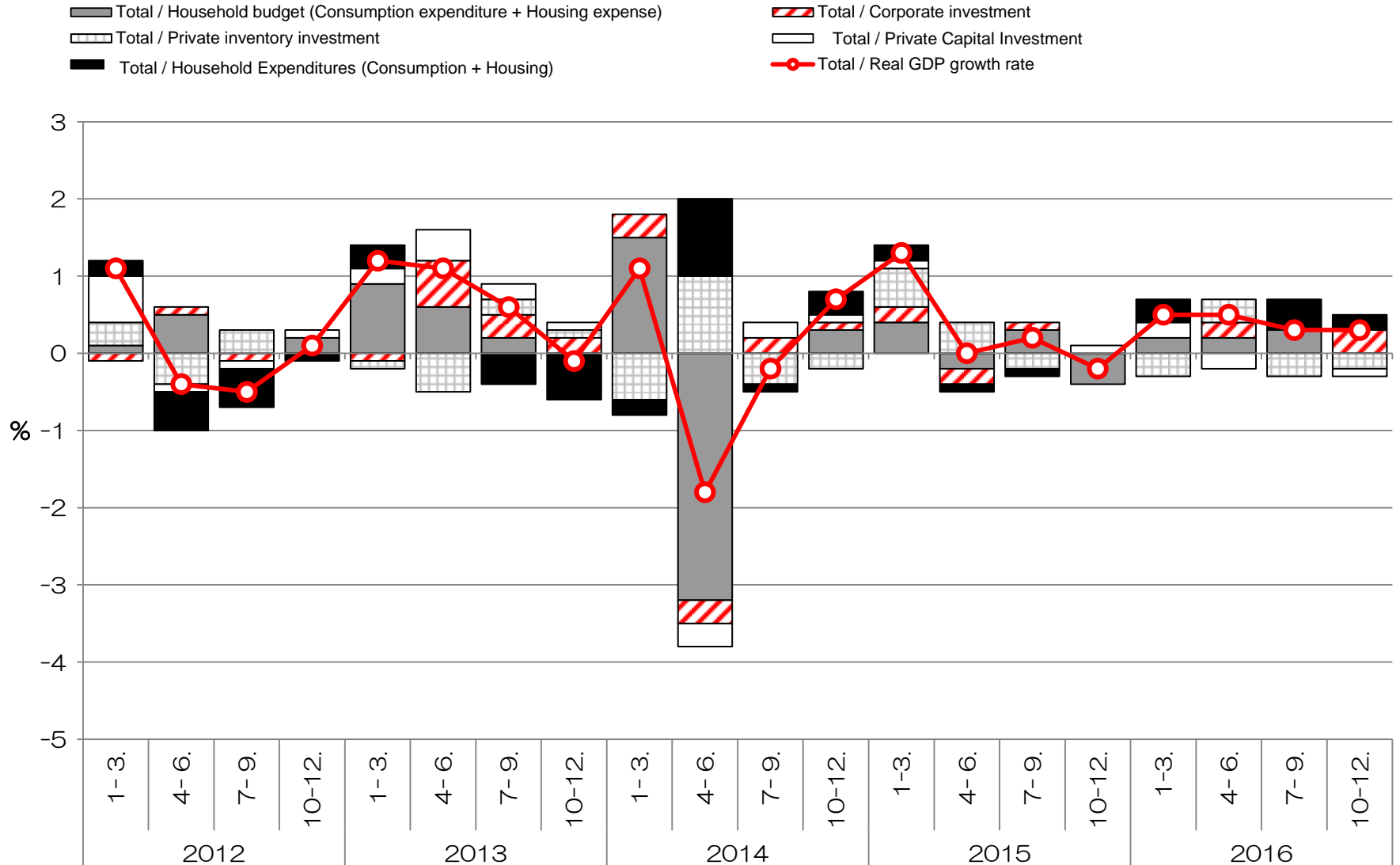
<http://www.moresco.co.jp/>

Tokyo Stock Exchange 1st section 5018 (Petroleum and Coal products)

April, 2017

Contribution of Real GDP Growth Rate by Quarter

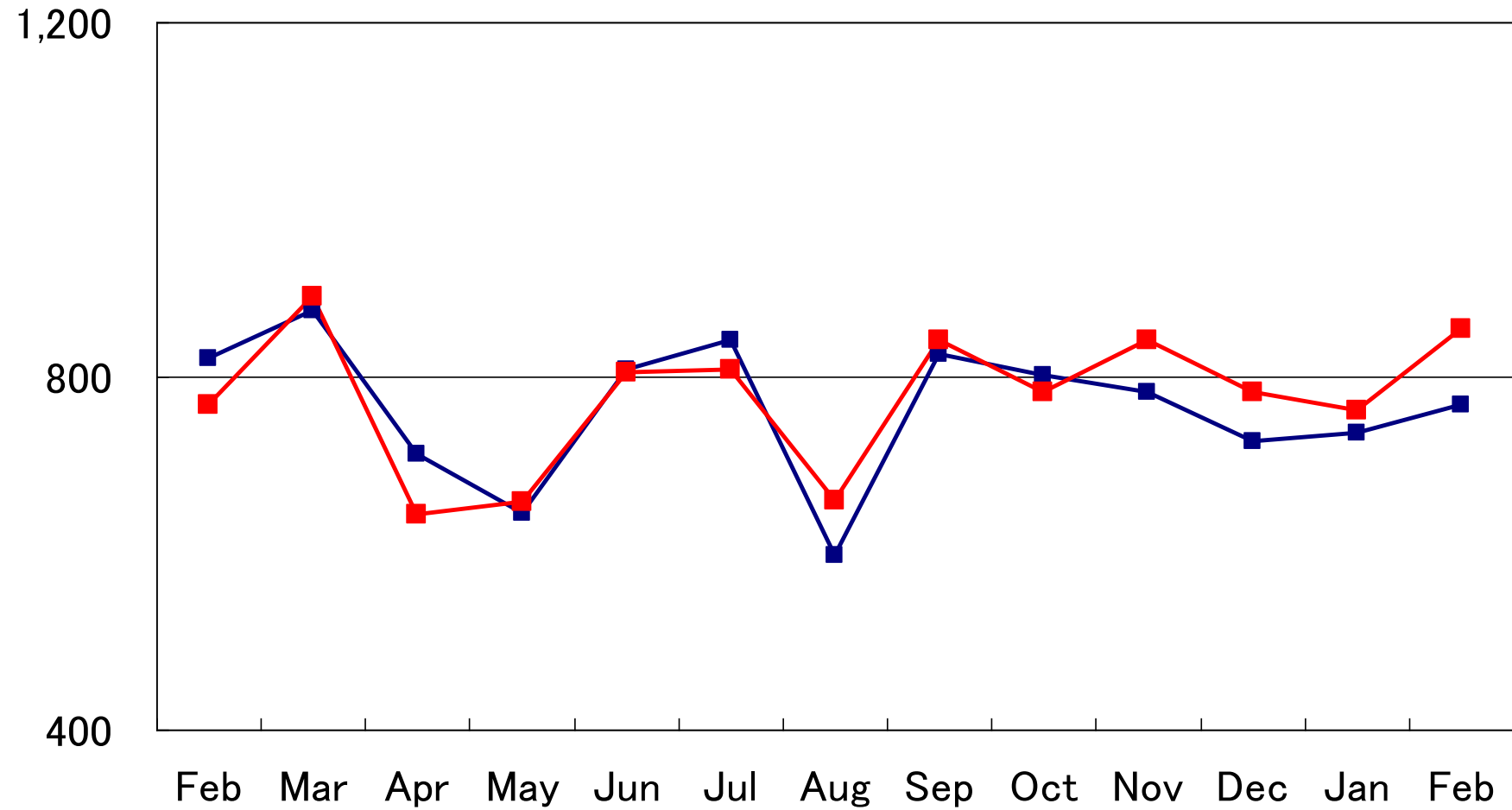
Information: Cabinet Office



Monthly Car Production in Japan

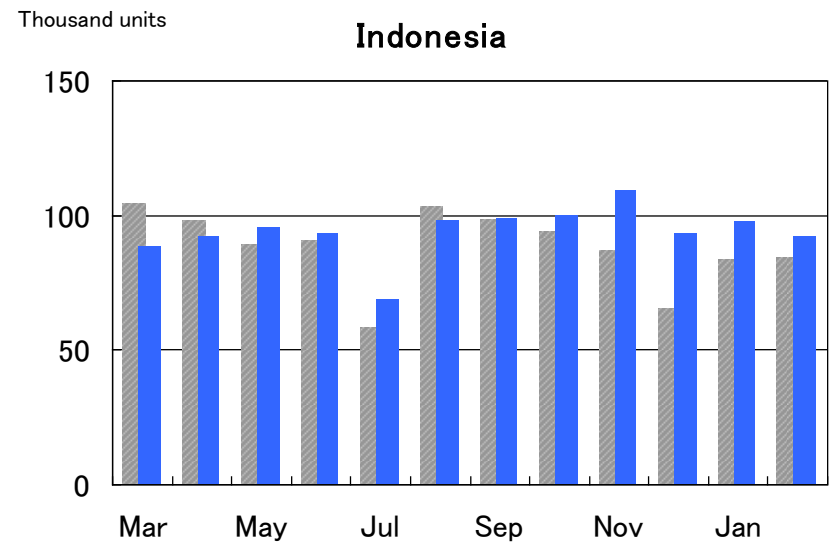
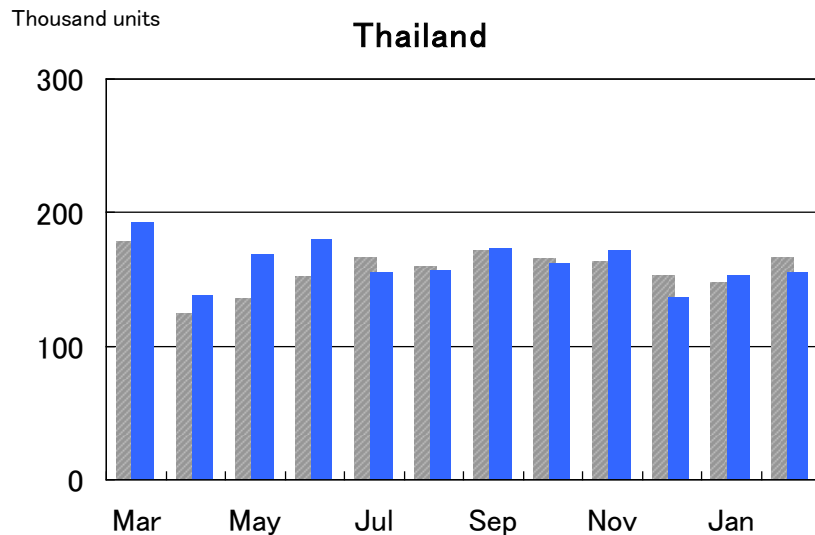
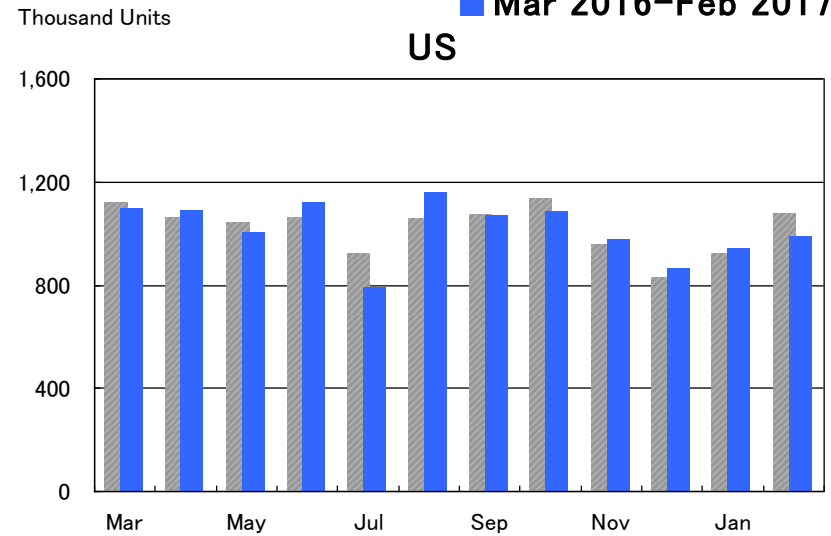
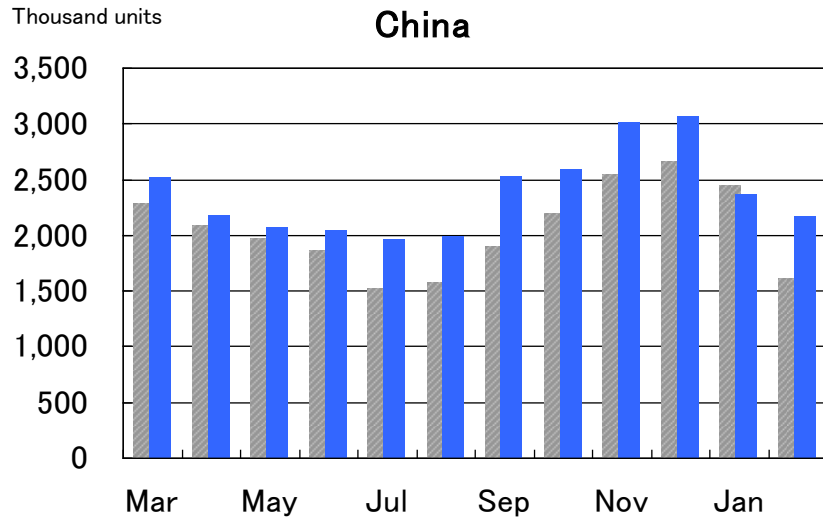
Thousand units

■ Feb 2015–Feb 2016
■ Feb 2016–Feb 2017

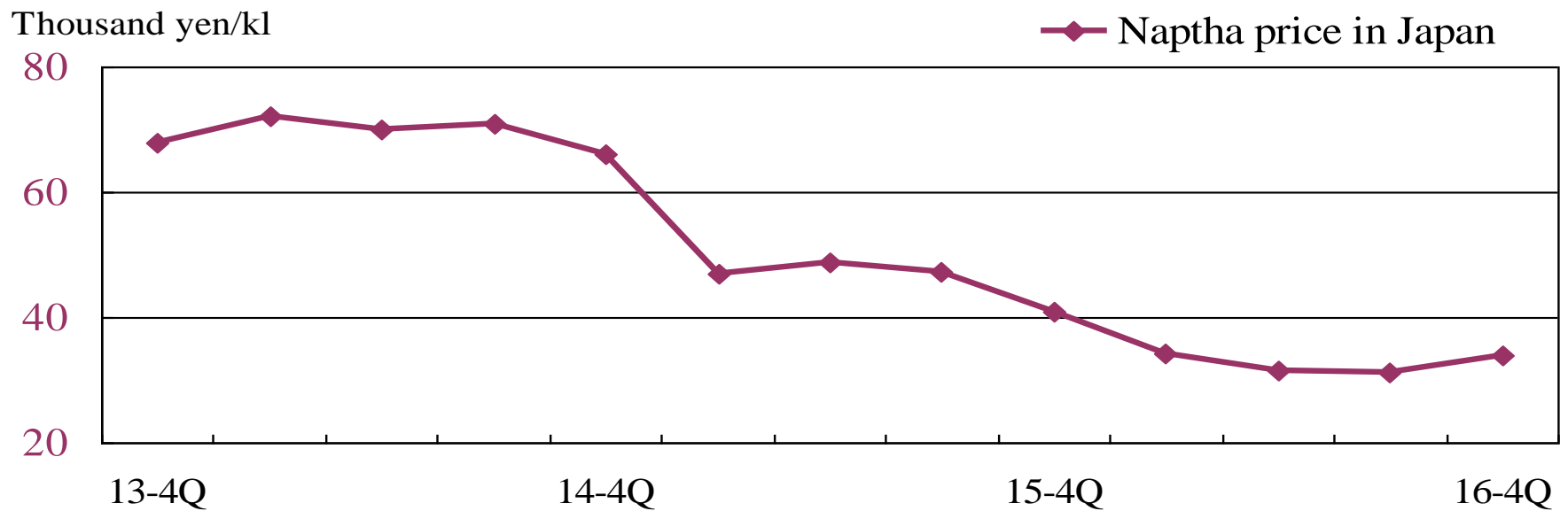
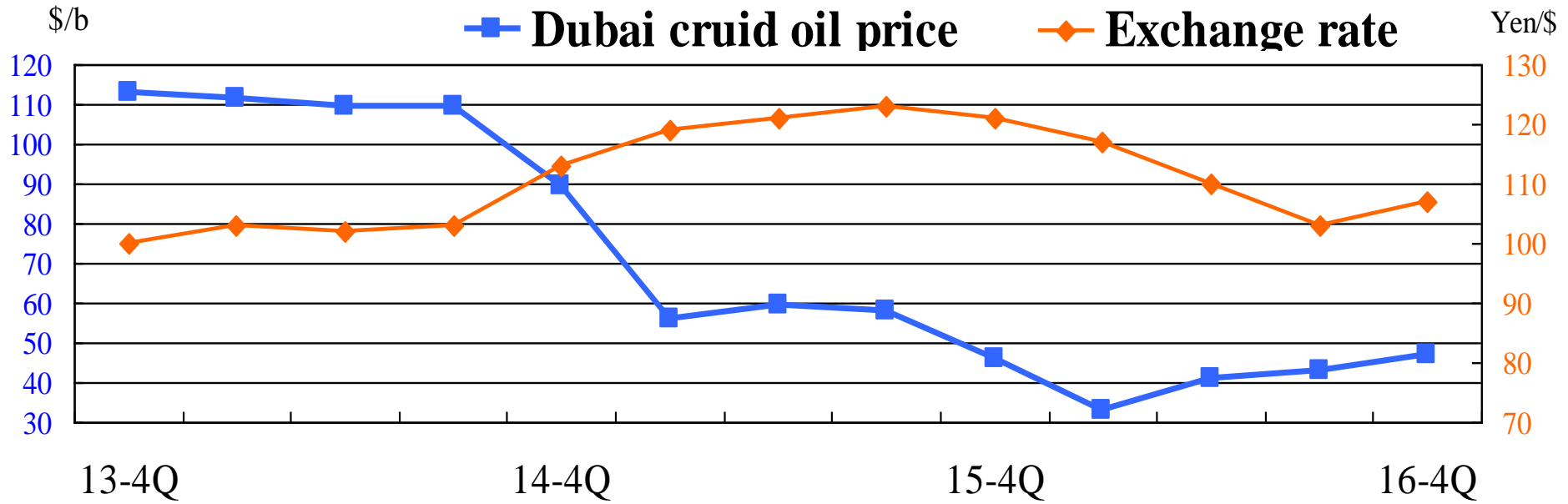


Overseas Monthly Car Production

Mar 2015–Feb 2016
 Mar 2016–Feb 2017



Oil Price & Exchange Rate



Consolidated Income Statement

Millions of yen

	FY2015	FY2016	Year-on- year change
Net Sales	26,266	26,674	+1.6%
Gross Profit	8,539	9,235	+8.2%
Selling, General and Administrative Expenses	6,414	6,861	+7.0%
Operating Income	2,125	2,374	+11.8%
Non-operating profit & loss	254	283	+11.7%
Ordinary Income	2,378	2,658	+11.8%
Income Before Income Tax	2,378	2,658	+11.8%
Net Income *	1,526	1,600	+4.9%

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

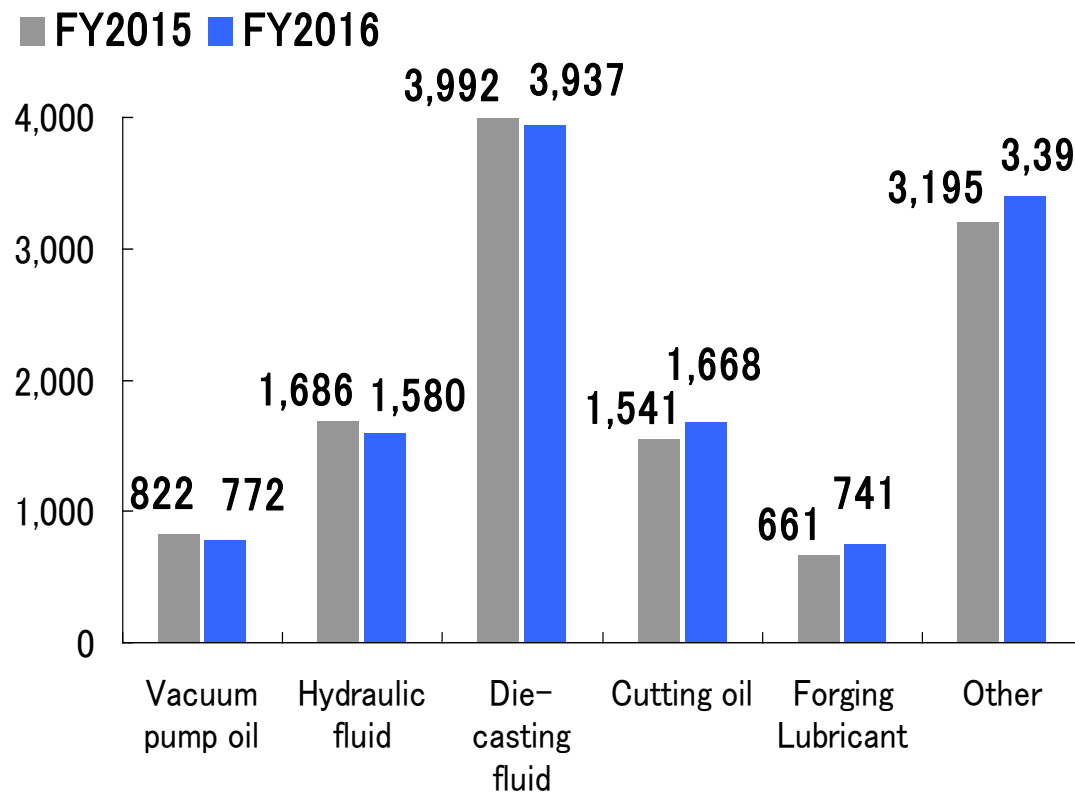
Net Sales of Business Units

Millions of yen

	FY2015	FY2016	Year-on-year change
Functional Fluids	11,897	12,097	+1.7%
Synthetic Lub	2,800	2,904	+3.7%
(HD Surface Lub)	(1,612)	(1,692)	+5.0%
Liquid Paraffin & Sulfonates	3,554	3,377	Δ5.0%
Hot Melt Adhesive	6,628	6,809	+2.7%
Other	1,334	1,434	+7.5%
Chemical Products TTL	26,212	26,621	+1.6%
Rental Building Business	54	53	Δ0.7%
Total Net Sales	26,266	26,674	+1.6%

Division Performance - Functional Fluids

- Sales increased by **1.7%** (12,097 million yen) vs. FY2015
- Sales volume increased by **13.4%**



➤ **Die-casting fluid**

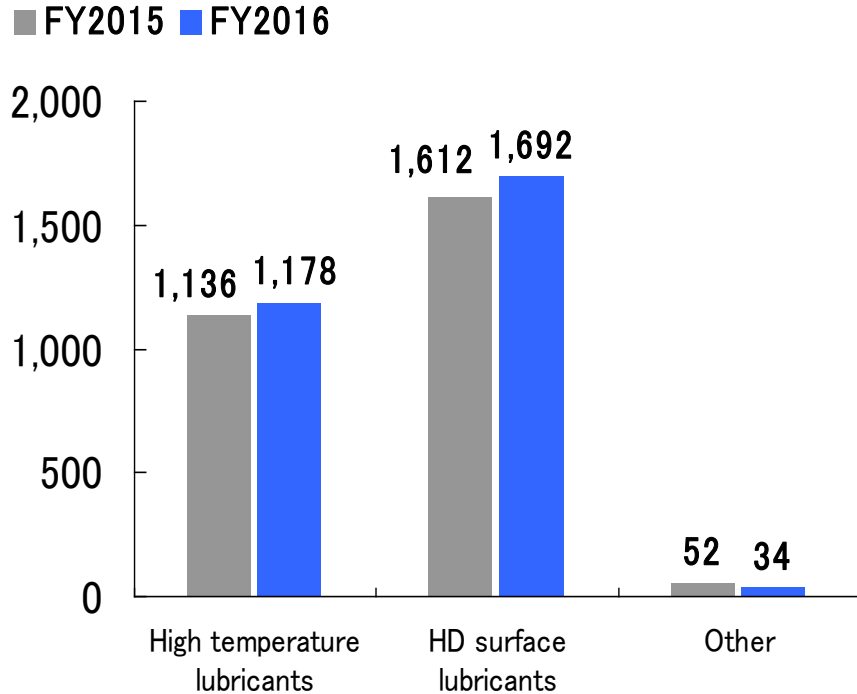
- Sales volume increased, but sales value remained flat due to a decline in selling prices.

➤ **Cutting oil, coolant**

- Sales increased mainly in overseas markets

Division Performance - Synthetic Lubricants

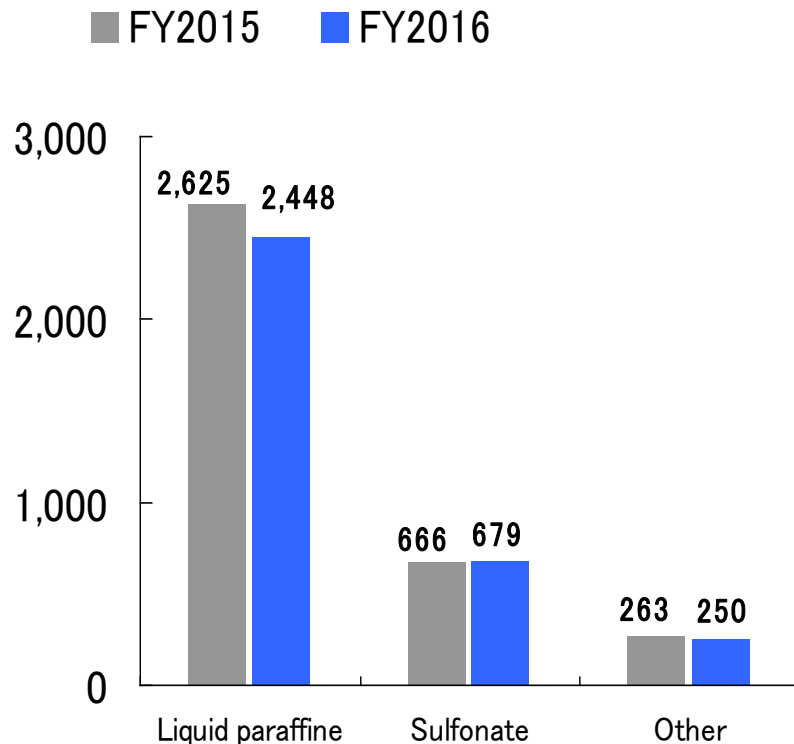
- Sales increased by **3.7%** (2,904 million yen) vs. FY2015
- Sales volume increased by **6.4%**



- **High temperature lubricants**
Grease for Automobile
 - **Export of grease base oil for automotive bearing increased in the second half of the fiscal year**
- **Hard disk surface lubricants**
 - **Sales increased due to customers' shift to high-value-added products**

Division Performance - Liquid Paraffin & Sulfonate

- Sales decreased by **5.0%** (3,377 million yen) vs. FY2015
- Sales volume increased by **6.5%**



➤ Liquid paraffin

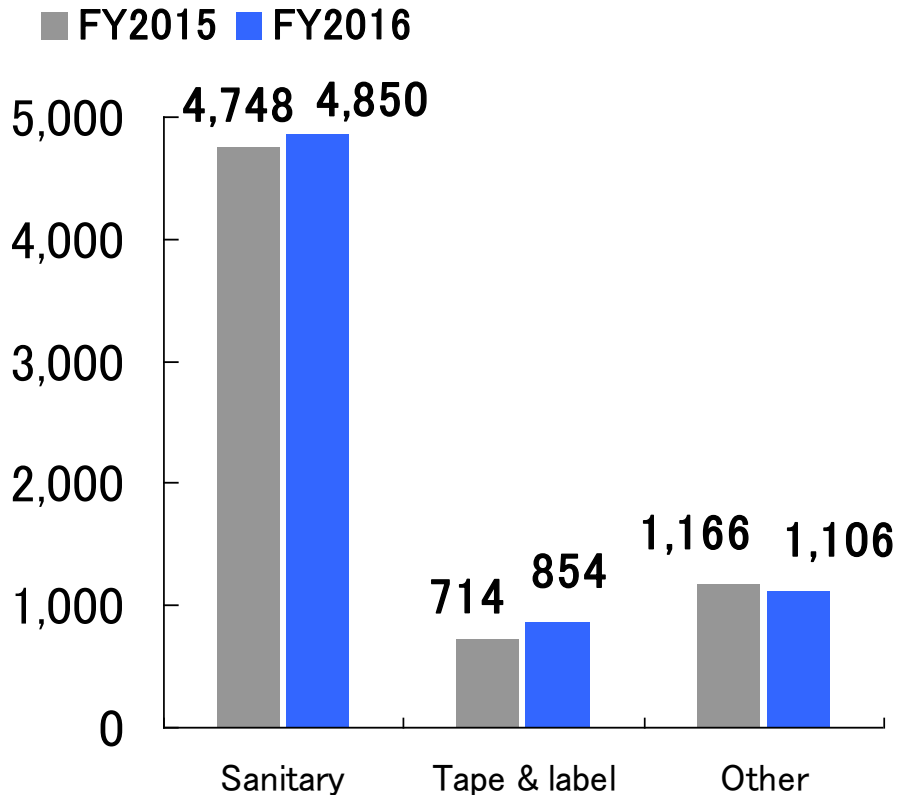
- Sales volume increased, but sales value decreased due to a decline in selling prices

➤ Sulfonate

- Sales for use as metal working fluid additive increased due to an increase in shipment to existing customers

Division Performance - Hot Melt Adhesive

- Sales increased by **2.7%** (6,809 million yen) vs. FY2015
- Sales volume increased by **8.7%**



➤ For sanitary material

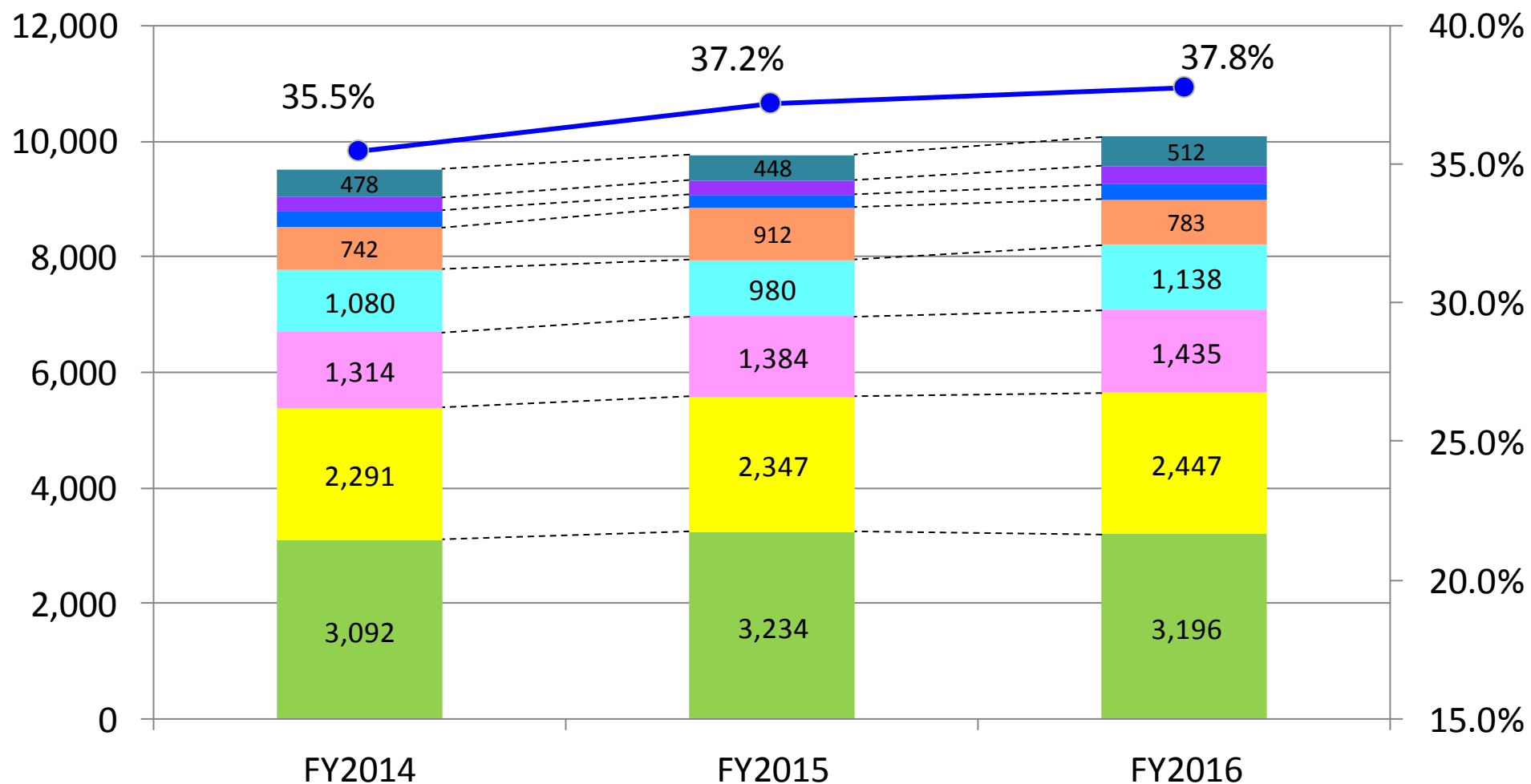
- Sales remained flat due to customers' inventory adjustments

➤ For tape & label

- Sales increased due to acquisition of new customers

Overseas Sales (Consolidated)

Millions of yen



Other Malaysia Taiwan Singapore North America Thailand Indonesia China Overseas sales

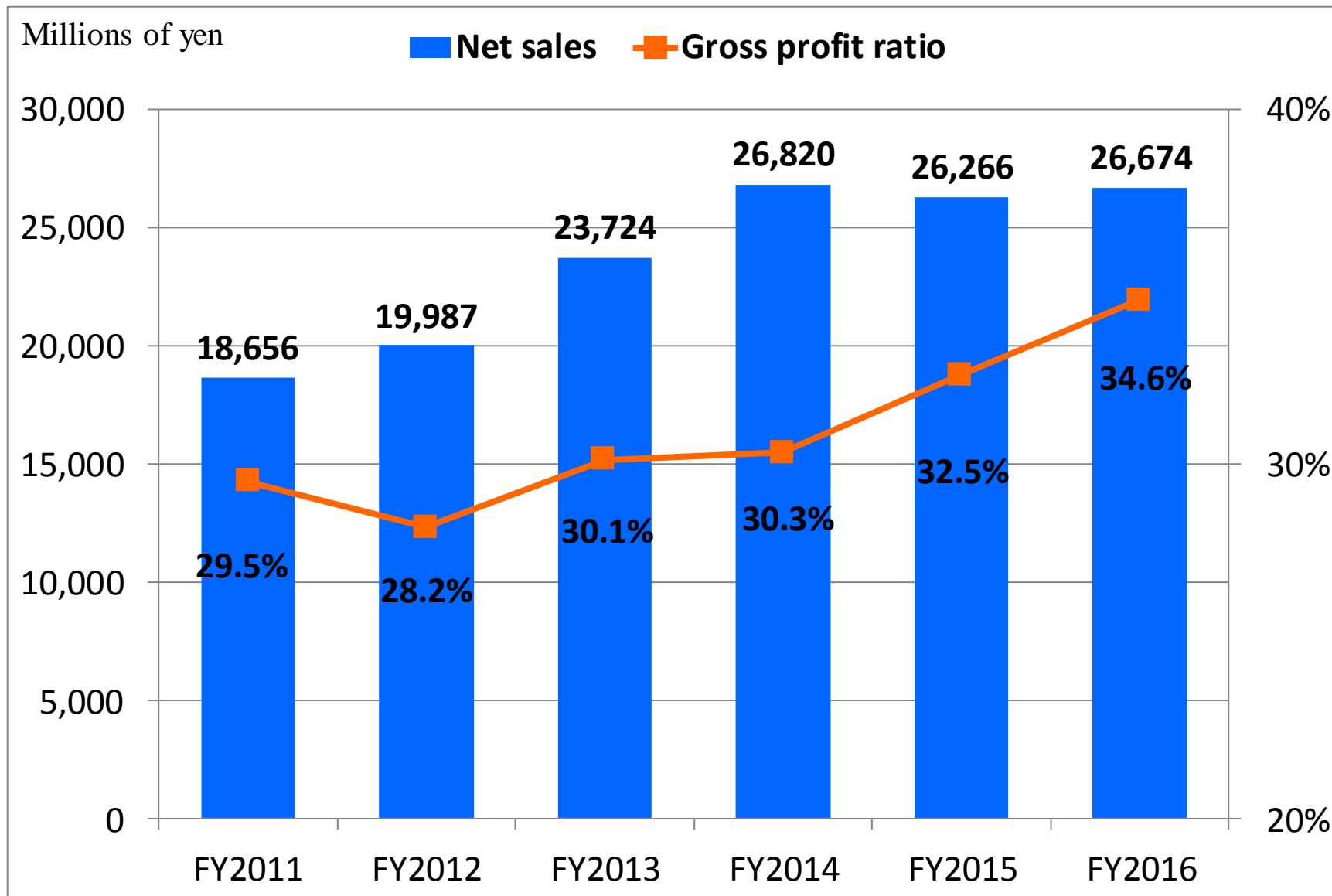
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Millions of yen

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Net Sales and Gross Profit Ratio



Selling, General and Administrative Expenses

Millions of yen

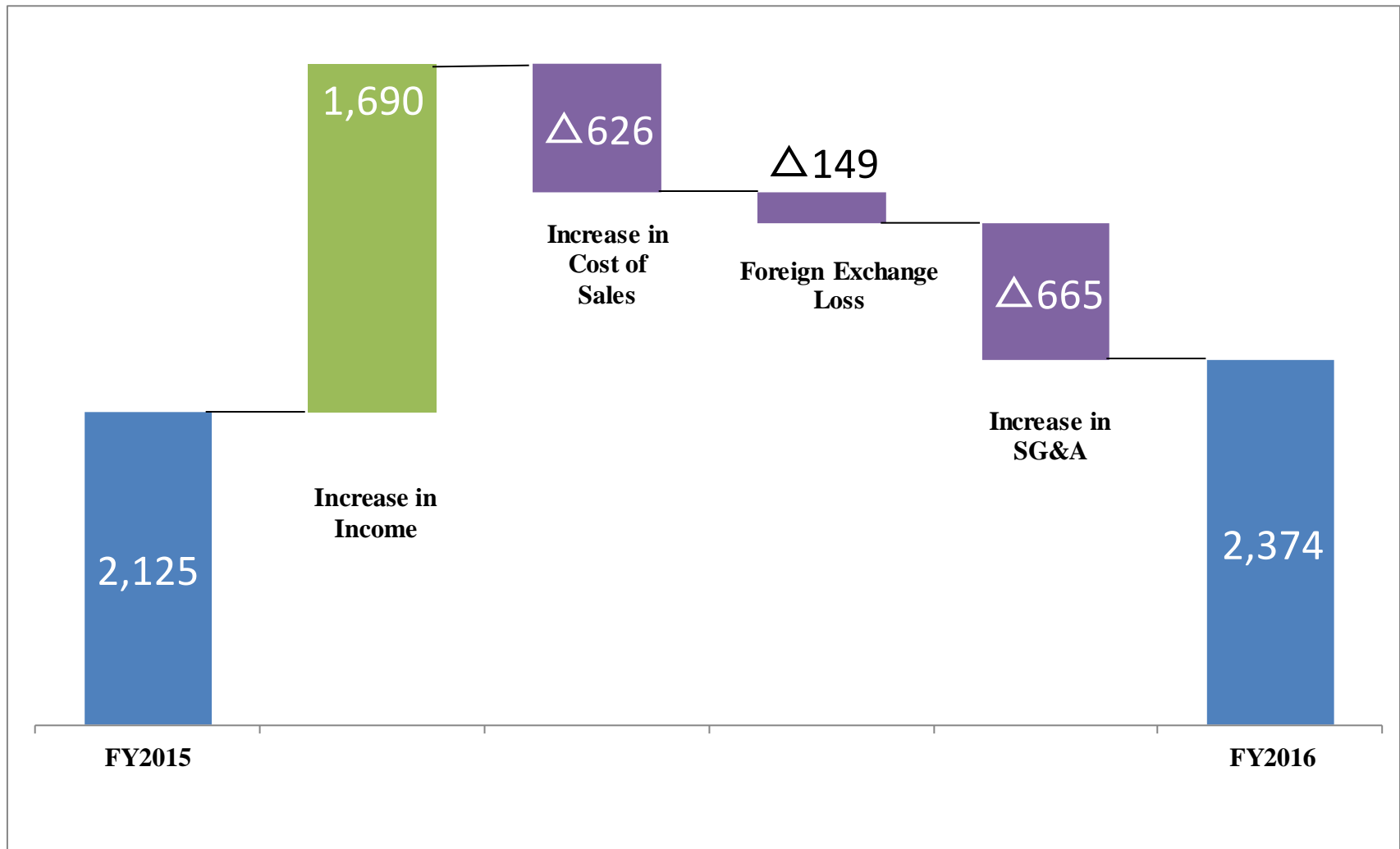
	FY2015	FY2016	Increase/ Decrease	Year-on- year change
Selling, General and Administrative Expenses	6,414	6,861	+446	+7.0%
(R&D expense)	1,031	1,157	+126	+12.2%
Selling, General and Administrative Expenses Ratio in Net Sales	24.4%	25.7%		
R&D Expense Ratio in Net Sales	3.9%	4.3%		

< Factors of expense increase >

- **Depreciation expenses (second R&D building, new core systems)**
- **Personnel expenses**
- **Various fees**

Operating Income Fluctuation Factors

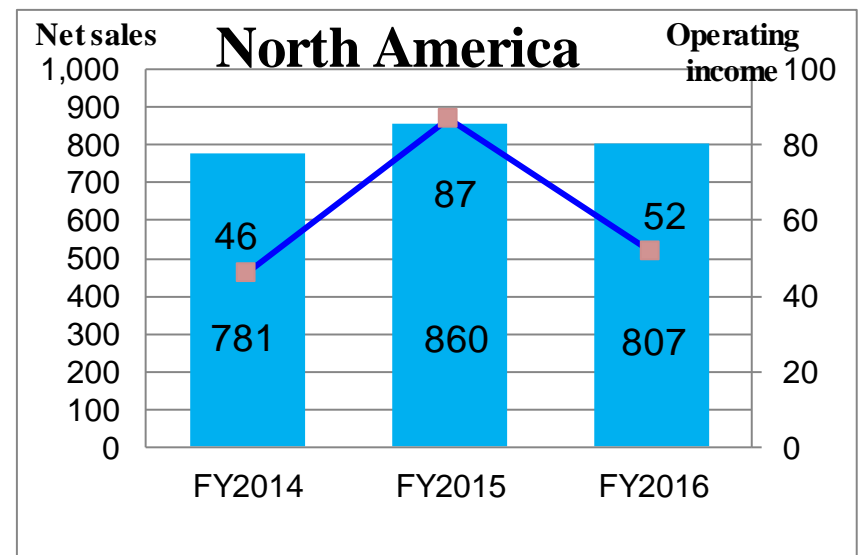
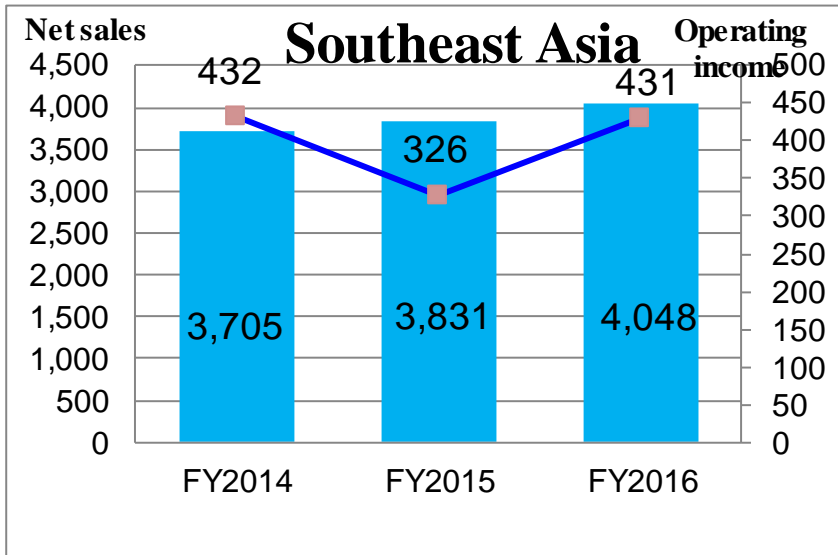
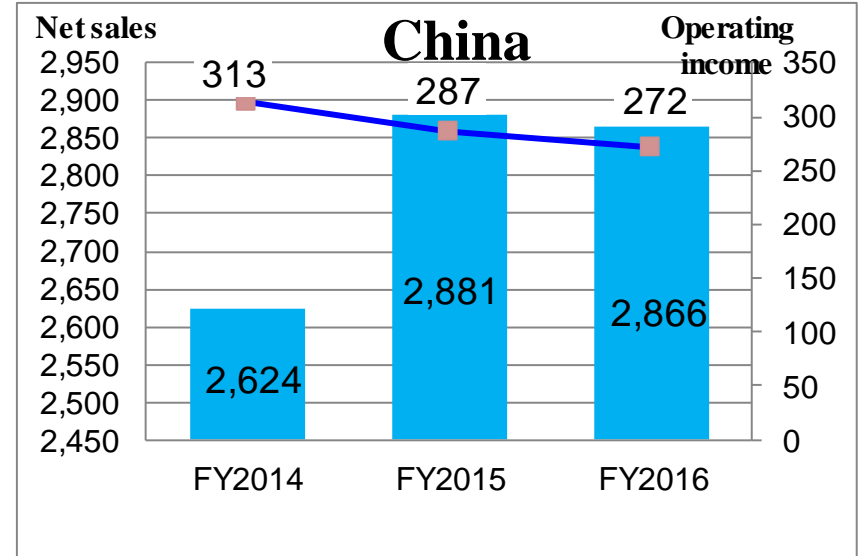
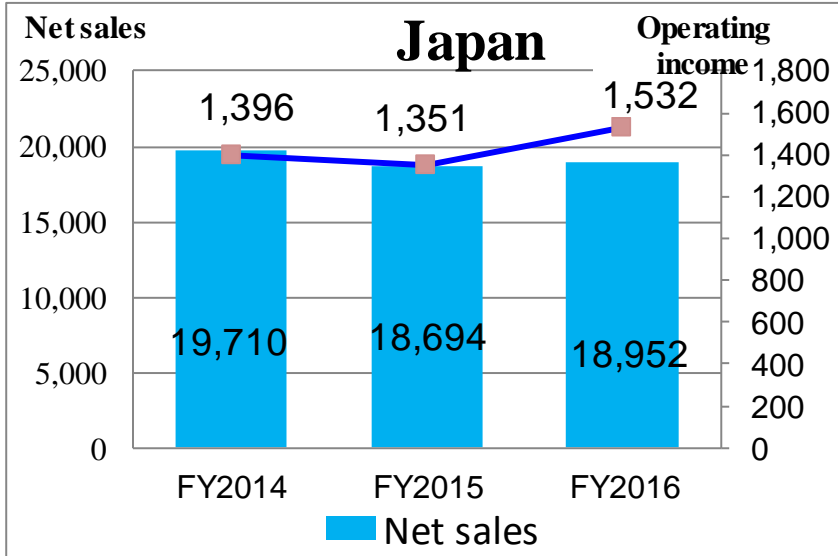
Millions of yen



Operating income reached a record high.
Exchange Rate: 121 yen → 109.5 yen

Profit and loss by country (Consolidated)

Millions of yen



Balance Sheet (Consolidated)

Millions of yen

Account title	FY2016	Increase/ Decrease	Account title	FY2016	Increase/ Decrease
Cash & Deposit	2,604	192	Trade Payable	4,233	△ 340
Notes and Accounts Receivable-trade	6,776	454	Interests bearing debt (Current)	2,916	△ 843
Inventories	3,888	△ 102	Other Current Liabilities	1,944	239
Other	384	△ 36	Other Noncurrent Liabilities	629	73
Current Assets	13,652	508	Total Liabilities	9,722	△ 871
Property, Plant and Equipment	7,863	△ 220	Capital Stock	4,041	-
Intangible Assets	1,530	△ 147	Capital Surplus		
Investments and Others	2,272	331	Retained Earnings	9,537	1,214
Fixed Assets	11,665	△ 36	Accumulated Other Comprehensive Income	279	△ 104
			Non-Controlling Interest	1,738	233
			Total Net Assets	15,594	1,343
Total Assets	25,317	472	Total Liability & Assets	25,317	472

Interest Bearing Debt

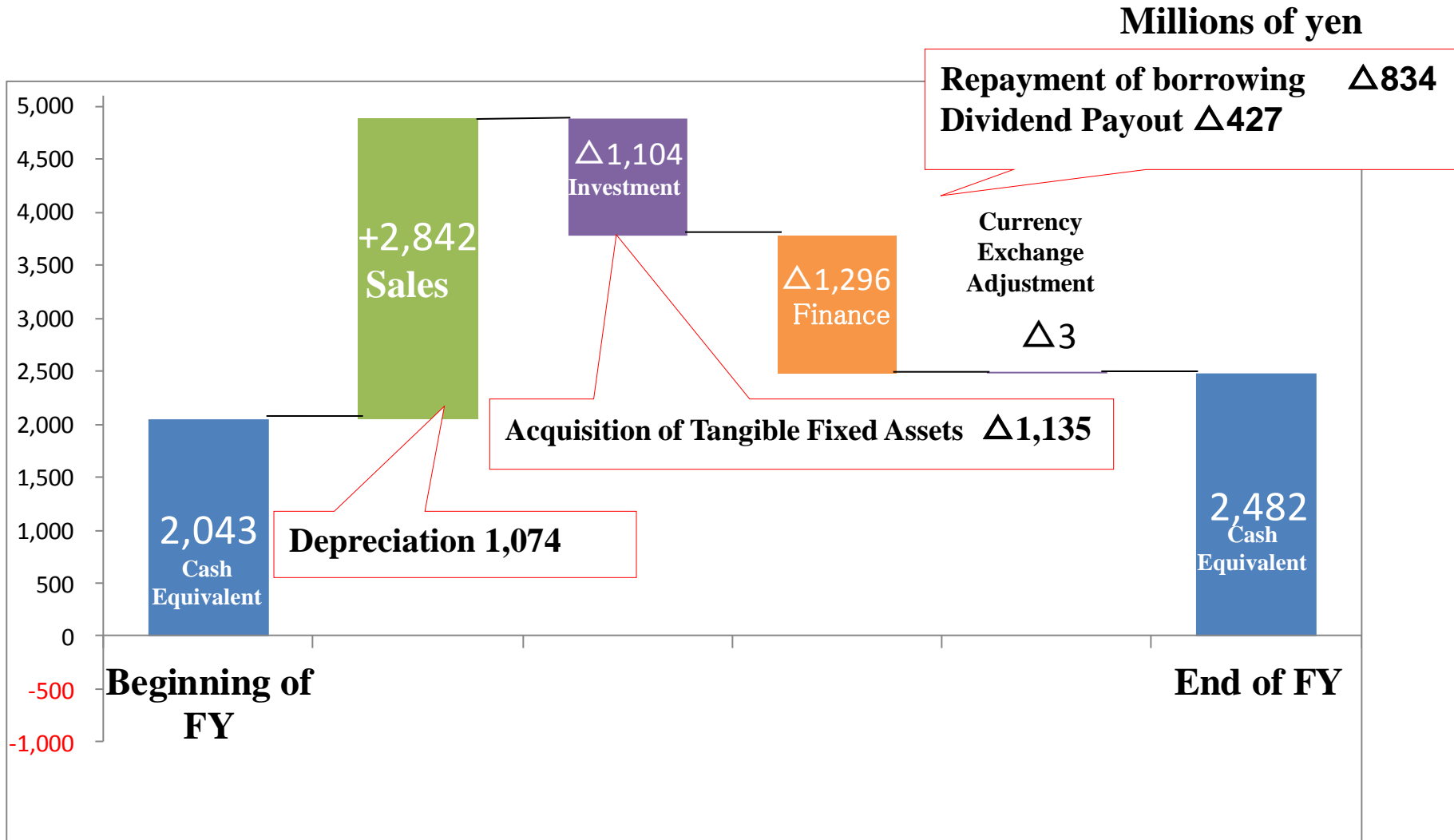
Millions of yen

	At the end of FY2015	At the end of FY2016	Year-on- year change
Short Term Borrowing※ (within 1 year)	2,211	1,726	△485
Long Term Borrowing	1,548	1,190	△358
Total	3,759	2,916	△843

Ratio of interest-bearing debt	15.1%	11.5%
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※ including long term borrowing with maturity equal to or less than one year

Cash Flow



FY2017 Consolidated Earnings Forecast

Millions of yen

	FY2016 Result	FY2017 1H	FY2017 2H	FY2017
Net Sales	26,674	13,800	14,900	28,700
Operating Income	2,374	1,100	1,500	2,600
Ordinary Income	2,658	1,300	1,600	2,900
Net Income	1,600	800	1,050	1,850

<Dividend per Share>

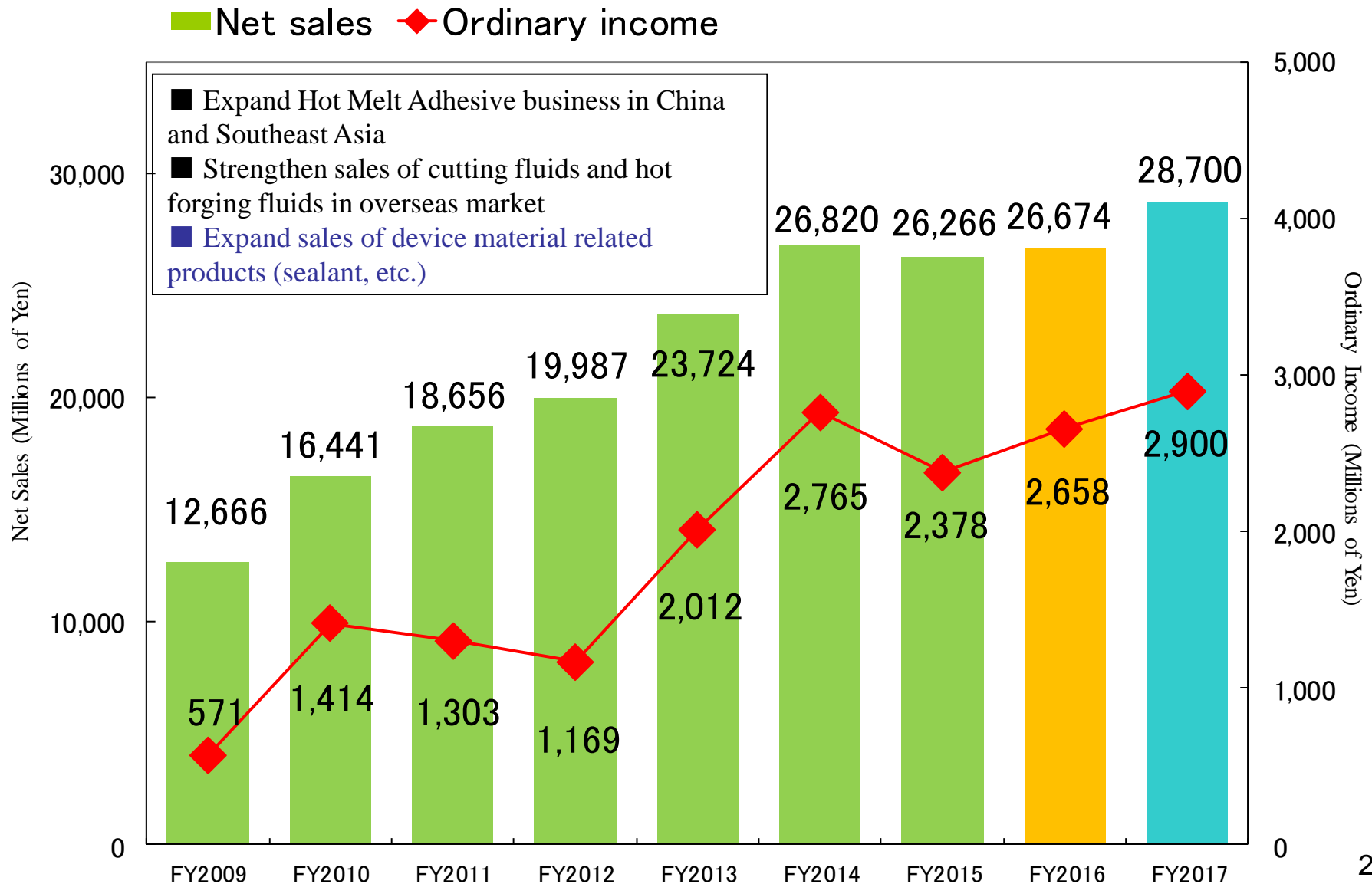
FY2015 Result (Dividend Payout Ratio)	40 yen (25.3%)
FY2016 Result (Dividend Payout Ratio)	45 yen (27.2%) (Plan)

* Dividend payout ratio=Dividend per share / Net Income per share

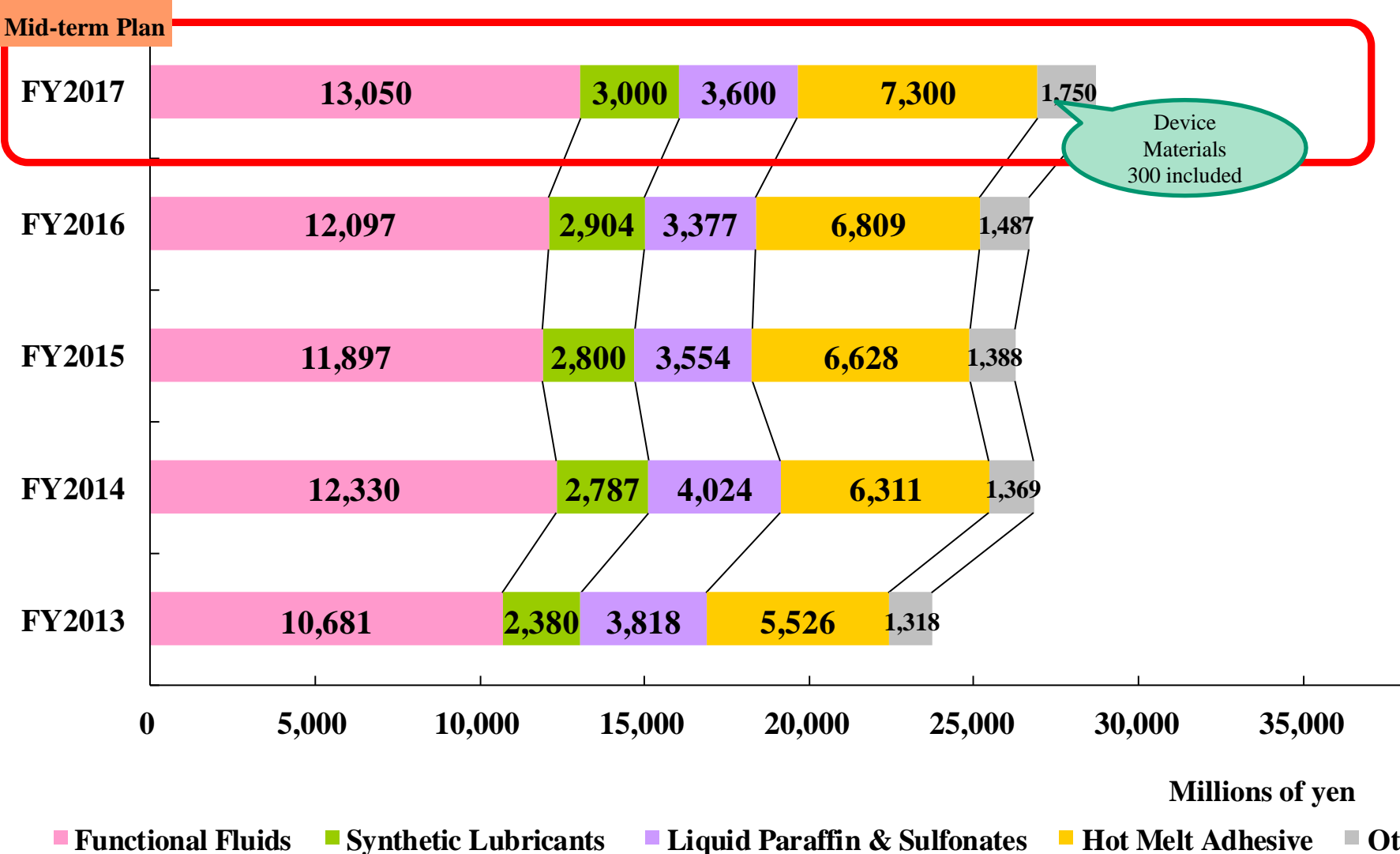
Medium Term Management Plan

Recent Performance and the 7th Medium Term Management Plan (revised)

(FY2015 –FY2017) Released Feb. 21, 2017



Mid-Term Plan - Consolidated Sales by Division

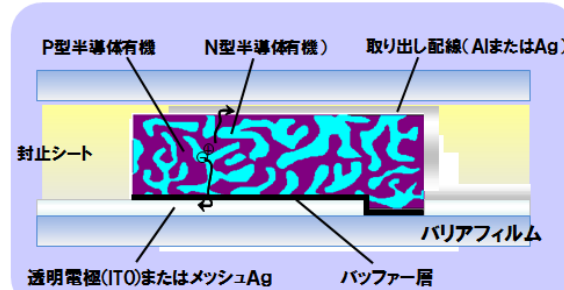


Device Materials & New Equipment

Joint R&D with Ideal Star Inc. on Organic Photovoltaics (OPV)



flexible-OPV(340x280mm)

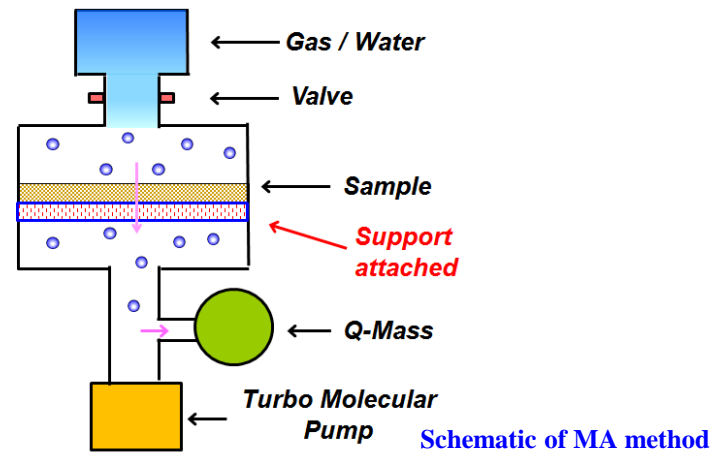


Cross section image of OPV power generation layer

Features

- Power generation layer (organic): variety of color options, see-through property, low-light sensitivity
- Ultra thin, lightweight
- Printing: high-speed/large area processing capabilities, cost effective
- Applications: good for curved surfaces (flexible) and indoor use

Improved Gas/Water Transmission Rate Analyzer



Established Device Materials Division in March, 2017

Participated in the 27th Finetech Japan - LCD/OLED/Sensor Technology Expo in April, 2017

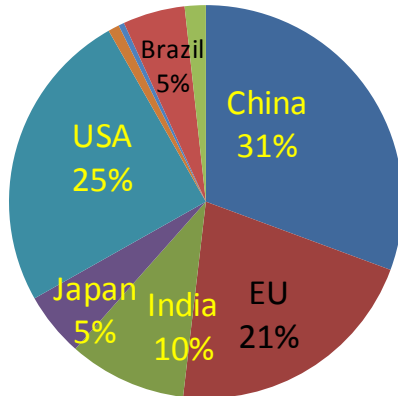
Expanding global sales of hot forging fluids

Installed production facilities in Thailand to expand sales of hot forging fluids in Southeast Asia

- 2016- In-house development of graphite-type forging fluids completed / Production in Thailand started
- 2018- Launch graphite-free type performing better than graphite-type

Forging Fluids Market (2016)

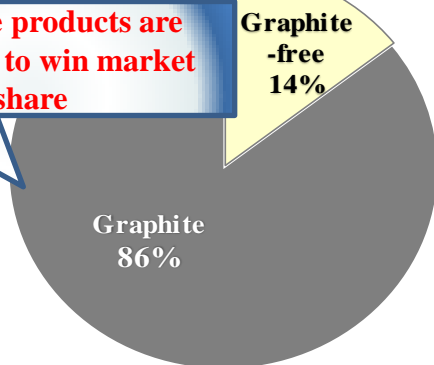
China, India, Japan and USA account for approx. 70% of the market



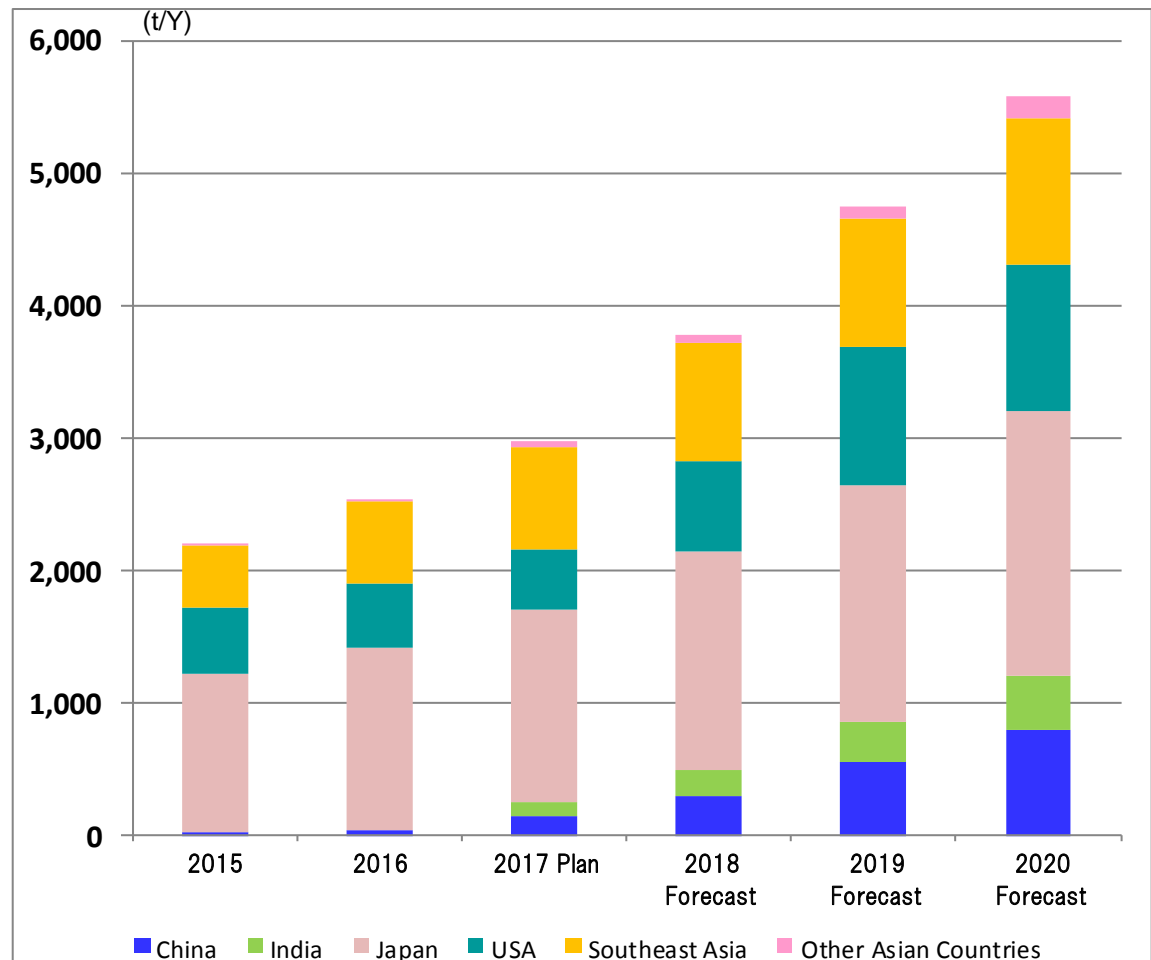
※USA: inclusive of Canada and Mexico

Graphite-type dominates the market

Graphite products are necessary to win market share



Forging Fluids Global Sales Plan (2017 – 2020)



MORESCO HM&LUB INDIA PRIVATE LIMITED

Established and Incorporation Registration Completed

To be the production and sales base for hot melt adhesive & lubricants in India

Ahmedabad



Head Office / R&D Center

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MORESCO Corporation

2017.4

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