

Translation

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Summary of Consolidated Financial Results for the Six Months Ended August 31, 2022 (Based on Japanese GAAP)

October 13, 2022

Company name: MORESCO Corporation
 Stock exchange listing: Tokyo
 Stock code: 5018 URL <https://www.moresco.co.jp/>
 Representative: Representative Director, President Motohisa Morozumi
 Inquiries: Director, Senior Executive Officer Hirofumi Fujimoto TEL 078-303-9220
 Scheduled date to file Quarterly Securities Report: October 13, 2022
 Scheduled date to commence dividend payments: November 11, 2022
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts are rounded off to the nearest million yen)

1. Consolidated financial results for the six months ended August 31, 2022 (from March 1, 2022 to August 31, 2022)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended August 31, 2022	14,523	8.7	295	(68.0)	846	(27.3)	504	(62.9)
Six months ended August 31, 2021	13,366	17.8	923	820.0	1,163	—	1,359	—

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended August 31, 2022	53.94	—
Six months ended August 31, 2021	144.92	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of August 31, 2022	31,092	21,717	60.9	2,053.05
As of February 28, 2022	29,008	20,551	61.9	1,914.94

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended February 28, 2022	—	20.00	—	20.00	40.00
Year ending February 28, 2023	—	20.00			
Year ending February 28, 2023 (Forecast)			—	20.00	40.00

3. Forecast of consolidated financial results for the year ending February 28, 2023 (from March 1, 2022 to February 28, 2023)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	31,500	15.4	1,110	(22.6)	1,700	(15.5)	1,000	(44.7)	107.71

4. Notes

- (1) Changes in significant subsidiaries during the six months ended August 31, 2022
(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of August 31, 2022	9,696,500 shares	As of February 28, 2022	9,696,500 shares
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Number of treasury shares at the end of the period

As of August 31, 2022	468,970 shares	As of February 28, 2022	316,570 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended August 31, 2022	9,340,232 shares	Six months ended August 31, 2021	9,377,118 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 28, 2022	As of August 31, 2022
Assets		
Current assets		
Cash and deposits	4,001	4,166
Notes and accounts receivable - trade	6,844	7,524
Merchandise and finished goods	2,935	3,160
Raw materials and supplies	2,391	2,942
Other	461	521
Allowance for doubtful accounts	(25)	(28)
Total current assets	16,607	18,285
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,540	3,577
Machinery, equipment and vehicles, net	2,035	2,049
Land	1,954	1,967
Other, net	774	802
Total property, plant and equipment	8,304	8,395
Intangible assets		
Goodwill	219	156
Other	413	494
Total intangible assets	633	649
Investments and other assets	3,465	3,764
Total non-current assets	12,401	12,808
Total assets	29,008	31,092
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,308	4,926
Short-term borrowings	560	1,546
Income taxes payable	427	185
Provision for bonuses	529	535
Other	1,437	891
Total current liabilities	7,260	8,083
Non-current liabilities		
Long-term borrowings	350	382
Retirement benefit liability	531	550
Other	316	361
Total non-current liabilities	1,197	1,292
Total liabilities	8,457	9,375

	(Millions of yen)	
	As of February 28, 2022	As of August 31, 2022
Net assets		
Shareholders' equity		
Share capital	2,118	2,118
Capital surplus	1,976	1,976
Retained earnings	13,517	13,834
Treasury shares	(384)	(567)
Total shareholders' equity	17,227	17,361
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	38	61
Foreign currency translation adjustment	505	1,335
Remeasurements of defined benefit plans	191	188
Total accumulated other comprehensive income	735	1,583
Non-controlling interests	2,589	2,773
Total net assets	20,551	21,717
Total liabilities and net assets	29,008	31,092

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Net sales	13,366	14,523
Cost of sales	8,822	10,484
Gross profit	4,544	4,039
Selling, general and administrative expenses	3,621	3,744
Operating profit	923	295
Non-operating income		
Interest income	12	11
Dividend income	10	14
Share of profit of entities accounted for using equity method	90	53
Foreign exchange gains	107	454
Other	31	28
Total non-operating income	249	560
Non-operating expenses		
Interest expenses	4	4
Other	5	5
Total non-operating expenses	9	9
Ordinary profit	1,163	846
Extraordinary income		
Gain on sale of non-current assets	833	–
Total extraordinary income	833	–
Profit before income taxes	1,996	846
Income taxes - current	655	296
Income taxes - deferred	(128)	(11)
Total income taxes	527	286
Profit	1,469	560
Profit attributable to non-controlling interests	110	56
Profit attributable to owners of parent	1,359	504

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Profit	1,469	560
Other comprehensive income		
Valuation difference on available-for-sale securities	9	26
Foreign currency translation adjustment	391	1,022
Remeasurements of defined benefit plans, net of tax	2	(4)
Share of other comprehensive income of entities accounted for using equity method	29	42
Total other comprehensive income	431	1,086
Comprehensive income	1,900	1,647
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,712	1,352
Comprehensive income attributable to non-controlling interests	188	294

Consolidated statements of cash flows

(Millions of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Cash flows from operating activities		
Profit before income taxes	1,996	846
Depreciation	590	612
Share of loss (profit) of entities accounted for using equity method	(90)	(53)
Loss (gain) on sale of property, plant and equipment	(838)	(2)
Decrease (increase) in net defined benefit asset(benefit liability)	(18)	(28)
Increase (decrease) in provision for bonuses	63	4
Increase (decrease) in allowance for doubtful accounts	(4)	1
Interest and dividend income	(22)	(24)
Interest expenses	4	4
Decrease (increase) in trade receivables	448	(298)
Decrease (increase) in inventories	(544)	(418)
Increase (decrease) in trade payables	(283)	389
Increase (decrease) in accrued consumption taxes	(12)	(97)
Other, net	(7)	26
Subtotal	1,285	961
Interest and dividends received	226	108
Interest paid	(5)	(4)
Income taxes paid	(179)	(530)
Net cash provided by (used in) operating activities	1,327	535
Cash flows from investing activities		
Net decrease (increase) in time deposits	(15)	65
Purchase of property, plant and equipment	(378)	(744)
Proceeds from sale of property, plant and equipment	1,505	2
Purchase of intangible assets	(29)	(21)
Purchase of investment securities	(6)	(2)
Other, net	(33)	(18)
Net cash provided by (used in) investing activities	1,043	(718)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,976)	1,031
Proceeds from long-term borrowings	—	200
Repayments of long-term borrowings	(239)	(238)
Purchase of treasury shares	—	(194)
Dividends paid	(235)	(188)
Dividends paid to non-controlling interests	(38)	(111)
Other, net	(15)	(13)
Net cash provided by (used in) financing activities	(2,504)	487
Effect of exchange rate change on cash and cash equivalents	(14)	(77)
Net increase (decrease) in cash and cash equivalents	(147)	227
Cash and cash equivalents at beginning of period	3,675	3,869
Cash and cash equivalents at end of period	3,528	4,096