

Translation

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Summary of Consolidated Financial Results for the Year Ended February 28, 2022 (Based on Japanese GAAP)

April 12, 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 of ordinary general meeting of shareholders: May 27, 2022
 Scheduled date to file Securities Report: May 27, 2022
 Scheduled date to commence dividend payments: May 30, 2022
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts are rounded off to the nearest million yen)

1. Consolidated financial results for the year ended February 28, 2022 (from March 1, 2021 to February 28, 2022)

(1) Consolidated operating results

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 | % |
| Year ended February 28, 2022 | 27,300 | 11.5 | 1,434 | 70.3 | 2,011 | 95.3 | 1,808 | 249.1 |
| Year ended February 28, 2021 | 24,479 | (9.6) | 842 | (34.1) | 1,030 | (34.3) | 518 | (33.3) |

| | Earnings per share | Diluted earnings per share | Profit attributable to owners of parent/equity | Ordinary profit/total assets | Operating profit/net sales |
|------------------------------|--------------------|----------------------------|--|------------------------------|----------------------------|
| | Yen | Yen | % | % | % |
| Year ended February 28, 2022 | 192.76 | – | 10.7 | 7.1 | 5.3 |
| Year ended February 28, 2021 | 54.09 | – | 3.3 | 3.7 | 3.4 |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| As of February 28, 2022 | 29,008 | 20,551 | 61.9 | 1,914.94 |
| As of February 28, 2021 | 27,707 | 18,163 | 57.4 | 1,695.81 |

(3) Consolidated cash flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Year ended February 28, 2022 | 2,333 | 603 | (2,937) | 3,654 |
| Year ended February 28, 2021 | 2,088 | (660) | (1,019) | 3,675 |

2. Cash dividends

| | Annual dividends per share | | | | | Total cash dividends (Total) | Dividend payout ratio (Consolidated) | Ratio of dividends to net assets (Consolidated) |
|--|----------------------------|-----------------|-----------------|-----------------|-------|------------------------------|--------------------------------------|---|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Fiscal year-end | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Millions of yen | % | % |
| Year ended February 28, 2021 | – | 15.00 | – | 25.00 | 40.00 | 378 | 74.0 | 2.4 |
| Year ended February 28, 2022 | – | 20.00 | – | 20.00 | 40.00 | 375 | 20.8 | 2.2 |
| Year ending February 28, 2023 (Forecast) | – | 20.00 | – | 20.00 | 40.00 | | 28.9 | |

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 | 30,500 | 11.7 | 1,850 | 29.0 | 2,200 | 9.4 | 1,300 | (28.1) | 138.59 |

4. Notes

- (1) Changes in significant subsidiaries during the year ended February 28, 2022
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) 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: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

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

| | | | |
|-------------------------|------------------|-------------------------|------------------|
| As of February 28, 2022 | 9,696,500 shares | As of February 28, 2021 | 9,696,500 shares |
|-------------------------|------------------|-------------------------|------------------|

Number of treasury shares at the end of the period

| | | | |
|-------------------------|----------------|-------------------------|----------------|
| As of February 28, 2022 | 316,570 shares | As of February 28, 2021 | 321,070 shares |
|-------------------------|----------------|-------------------------|----------------|

Average number of shares during the period

| | | | |
|------------------------------|------------------|------------------------------|------------------|
| Year ended February 28, 2022 | 9,378,512 shares | Year ended February 28, 2021 | 9,573,806 shares |
|------------------------------|------------------|------------------------------|------------------|

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

| | As of February 28, 2021 | As of February 28, 2022 |
|--|-------------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 4,108 | 4,001 |
| Notes and accounts receivable - trade | 6,643 | 6,844 |
| Merchandise and finished goods | 2,524 | 2,935 |
| Raw materials and supplies | 1,718 | 2,391 |
| Other | 338 | 461 |
| Allowance for doubtful accounts | (27) | (25) |
| Total current assets | 15,304 | 16,607 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 6,919 | 6,867 |
| Accumulated depreciation | (3,367) | (3,327) |
| Buildings and structures, net | 3,552 | 3,540 |
| Machinery, equipment and vehicles | 9,832 | 10,513 |
| Accumulated depreciation | (8,028) | (8,478) |
| Machinery, equipment and vehicles, net | 1,804 | 2,035 |
| Land | 2,422 | 1,954 |
| Leased assets | 189 | 189 |
| Accumulated depreciation | (133) | (134) |
| Leased assets, net | 56 | 55 |
| Construction in progress | 155 | 294 |
| Other | 2,961 | 3,004 |
| Accumulated depreciation | (2,431) | (2,579) |
| Other, net | 529 | 425 |
| Total property, plant and equipment | 8,518 | 8,304 |
| Intangible assets | | |
| Goodwill | 347 | 219 |
| Leased assets | 3 | 1 |
| Other | 442 | 412 |
| Total intangible assets | 792 | 633 |
| Investments and other assets | | |
| Investment securities | 339 | 367 |
| Investments in capital | 1,656 | 1,915 |
| Deferred tax assets | 31 | 29 |
| Retirement benefit asset | 841 | 976 |
| Other | 226 | 179 |
| Allowance for doubtful accounts | (0) | (0) |
| Total investments and other assets | 3,093 | 3,465 |
| Total non-current assets | 12,403 | 12,401 |
| Total assets | 27,707 | 29,008 |

(Millions of yen)

| | As of February 28, 2021 | As of February 28, 2022 |
|---|-------------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 3,975 | 4,308 |
| Short-term borrowings | 2,544 | 560 |
| Lease obligations | 26 | 36 |
| Income taxes payable | 109 | 427 |
| Provision for bonuses | 441 | 529 |
| Other | 1,026 | 1,401 |
| Total current liabilities | 8,121 | 7,260 |
| Non-current liabilities | | |
| Long-term borrowings | 775 | 350 |
| Lease obligations | 18 | 22 |
| Retirement benefit liability | 494 | 531 |
| Other | 136 | 293 |
| Total non-current liabilities | 1,424 | 1,197 |
| Total liabilities | 9,545 | 8,457 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 2,118 | 2,118 |
| Capital surplus | 1,976 | 1,976 |
| Retained earnings | 12,132 | 13,517 |
| Treasury shares | (390) | (384) |
| Total shareholders' equity | 15,836 | 17,227 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 27 | 38 |
| Foreign currency translation adjustment | (117) | 505 |
| Remeasurements of defined benefit plans | 152 | 191 |
| Total accumulated other comprehensive income | 63 | 735 |
| Non-controlling interests | 2,264 | 2,589 |
| Total net assets | 18,163 | 20,551 |
| Total liabilities and net assets | 27,707 | 29,008 |

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|--|--|
| Net sales | 24,479 | 27,300 |
| Cost of sales | 16,640 | 18,575 |
| Gross profit | 7,838 | 8,725 |
| Selling, general and administrative expenses | 6,996 | 7,291 |
| Operating profit | 842 | 1,434 |
| Non-operating income | | |
| Interest income | 21 | 23 |
| Dividend income | 14 | 14 |
| Foreign exchange gains | – | 247 |
| Share of profit of entities accounted for using equity method | 255 | 239 |
| Other | 63 | 79 |
| Total non-operating income | 353 | 602 |
| Non-operating expenses | | |
| Interest expenses | 14 | 12 |
| Foreign exchange losses | 125 | – |
| Loss on retirement of non-current assets | 10 | 5 |
| Other | 16 | 9 |
| Total non-operating expenses | 166 | 26 |
| Ordinary profit | 1,030 | 2,011 |
| Extraordinary income | | |
| Gain on sale of non-current assets | – | 833 |
| Total extraordinary income | – | 833 |
| Extraordinary losses | | |
| Impairment losses | 119 | – |
| Total extraordinary losses | 119 | – |
| Profit before income taxes | 911 | 2,844 |
| Income taxes - current | 275 | 653 |
| Income taxes - deferred | (35) | 178 |
| Total income taxes | 240 | 831 |
| Profit | 670 | 2,013 |
| Profit attributable to non-controlling interests | 153 | 205 |
| Profit attributable to owners of parent | 518 | 1,808 |

Consolidated statements of comprehensive income

(Millions of yen)

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|--|--|--|
| Profit | 670 | 2,013 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 13 | 17 |
| Foreign currency translation adjustment | (169) | 731 |
| Remeasurements of defined benefit plans, net of tax | 164 | 41 |
| Share of other comprehensive income of entities accounted for using equity method | 5 | 47 |
| Total other comprehensive income | 12 | 836 |
| Comprehensive income | 683 | 2,848 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 588 | 2,480 |
| Comprehensive income attributable to non-controlling interests | 95 | 368 |

Consolidated statements of changes in equity

Fiscal year ended February 28, 2021

(Millions of yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 2,118 | 1,979 | 11,998 | (157) | 15,939 |
| Changes during period | | | | | |
| Change in ownership interest of parent due to transactions with non-controlling interests | | 0 | | | 0 |
| Dividends of surplus | | | (384) | | (384) |
| Profit attributable to owners of parent | | | 518 | | 518 |
| Purchase of treasury shares | | | | (244) | (244) |
| Disposal of treasury shares | | (3) | | 11 | 8 |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | – | (3) | 134 | (233) | (102) |
| Balance at end of period | 2,118 | 1,976 | 12,132 | (390) | 15,836 |

| | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|---|---|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 15 | (10) | (13) | (7) | 2,278 | 18,209 |
| Changes during period | | | | | | |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | 0 |
| Dividends of surplus | | | | | | (384) |
| Profit attributable to owners of parent | | | | | | 518 |
| Purchase of treasury shares | | | | | | (244) |
| Disposal of treasury shares | | | | | | 8 |
| Net changes in items other than shareholders' equity | 12 | (107) | 165 | 70 | (14) | 56 |
| Total changes during period | 12 | (107) | 165 | 70 | (14) | (47) |
| Balance at end of period | 27 | (117) | 152 | 63 | 2,264 | 18,163 |

Fiscal year ended February 28, 2022

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 2,118 | 1,976 | 12,132 | (390) | 15,836 |
| Changes during period | | | | | |
| Dividends of surplus | | | (422) | | (422) |
| Profit attributable to owners of parent | | | 1,808 | | 1,808 |
| Disposal of treasury shares | | (0) | | 5 | 5 |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | – | (0) | 1,386 | 5 | 1,391 |
| Balance at end of period | 2,118 | 1,976 | 13,517 | (384) | 17,227 |

| | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|--|---|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 27 | (117) | 152 | 63 | 2,264 | 18,163 |
| Changes during period | | | | | | |
| Dividends of surplus | | | | | | (422) |
| Profit attributable to owners of parent | | | | | | 1,808 |
| Disposal of treasury shares | | | | | | 5 |
| Net changes in items other than shareholders' equity | 11 | 622 | 39 | 672 | 326 | 998 |
| Total changes during period | 11 | 622 | 39 | 672 | 326 | 2,389 |
| Balance at end of period | 38 | 505 | 191 | 735 | 2,589 | 20,551 |

Consolidated statements of cash flows

(Millions of yen)

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 911 | 2,844 |
| Depreciation | 1,328 | 1,210 |
| Share of loss (profit) of entities accounted for using equity method | (255) | (239) |
| Loss (gain) on sale of property, plant and equipment | (5) | (842) |
| Decrease (increase) in net defined benefit asset(benefit asset) | (224) | (103) |
| Increase (decrease) in provision for bonuses | 1 | 85 |
| Increase (decrease) in allowance for doubtful accounts | 4 | (3) |
| Interest and dividend income | (35) | (37) |
| Interest expenses | 14 | 12 |
| Decrease (increase) in trade receivables | 43 | 75 |
| Decrease (increase) in inventories | 459 | (900) |
| Increase (decrease) in trade payables | (73) | 191 |
| Other, net | 173 | 144 |
| Subtotal | 2,342 | 2,437 |
| Interest and dividends received | 112 | 241 |
| Interest paid | (14) | (12) |
| Income taxes paid | (352) | (333) |
| Net cash provided by (used in) operating activities | 2,088 | 2,333 |
| Cash flows from investing activities | | |
| Net decrease (increase) in time deposits | (66) | 101 |
| Purchase of property, plant and equipment | (465) | (934) |
| Proceeds from sale of property, plant and equipment | 6 | 1,511 |
| Purchase of intangible assets | (25) | (31) |
| Purchase of investment securities | (52) | (3) |
| Other, net | (57) | (40) |
| Net cash provided by (used in) investing activities | (660) | 603 |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 456 | (1,955) |
| Repayments of long-term borrowings | (724) | (469) |
| Purchase of treasury shares | (244) | – |
| Dividends paid | (385) | (424) |
| Dividends paid to non-controlling interests | (62) | (59) |
| Other, net | (60) | (30) |
| Net cash provided by (used in) financing activities | (1,019) | (2,937) |
| Effect of exchange rate change on cash and cash equivalents | 54 | (20) |
| Net increase (decrease) in cash and cash equivalents | 463 | (21) |
| Cash and cash equivalents at beginning of period | 3,213 | 3,675 |
| Cash and cash equivalents at end of period | 3,675 | 3,654 |