

67th 2Q Business Report

Mar. 1, 2024 - Aug. 31, 2024

The way forward

CEO Interview

Promoting further sustainability management while adapting flexibly to market trends in each country

In the first half of the 67th fiscal year, sales were up 11% year on year, partly driven by the positive impact of acquiring the business of US-based CROSS. Operating profit was up 27%. In terms of sales by division, the Special Lubricants Division performed well in the US and Indian markets, and in China, despite the decline in operating rates at Japanese automobile manufacturers, sales remained strong due to the increase in automobile production. On the other hand, sales in Japan, where automobile production temporarily halted, and in Thailand, where demand slowed, were sluggish, remaining on par with the same period of the previous year. In the Hot Melt Adhesive Division, although demand for filters recovered in China, overall sales remained on par with the same period of the previous year. On the other hand, sales in the Synthetic Lubricants Business increased significantly as demand rebounded due to a recovery in data center investments and the completion of inventory adjustments by customers. In addition, sales in the Liquid Paraffin & Sulfonates Division increased as a result of the recovery in demand for liquid paraffin.

Currently, economic trends vary significantly by region, making it challenging to gauge market conditions. However, the Company is steadily advancing sustainability management in line with the 10th Medium-Term Management Plan. One of the key initiatives is to strengthen sales efforts for MORESCO Green SX (MGS) products, which offer various benefits to customers' businesses, with a particular emphasis on environmental performance. We are actively expanding both in Japan and overseas markets like China and Southeast Asia, while intensifying our efforts to reach the goal of MGS products accounting for 40% of sales by FY2026. In addition, we are placing a strong emphasis on promoting the reuse and recycling of existing products to help achieve a recycling-oriented society. Currently, we are focused on improving the recycling rate of fire-resistant hydraulic fluids and establishing and utilizing blending technology for recycled materials mainly in Japan. Going forward, we plan to gradually expand these efforts to overseas markets. Furthermore, in the first half of the year, we published the integrated report that we had been preparing. We strive to be a company that meets the expectations of its stakeholders, including shareholders, by broadly communicating our long-term initiatives for creating sustainable value that extends beyond the current business environment. With significant fluctuations in exchange rates and the uncertain future of crude oil prices, the business environment in the second half of the 67th fiscal year is expected to remain unpredictable. However, we will continue to update our regional strategies while closely monitoring and evaluating economic trends in each market. We will steadily execute our plans to realize a sustainable society while enhancing the added value of our business.

MORESCO Corporation

Motohisa Morozumi
CEO, Representative Director, President





MORESCO Human Resources Strategy

Continuing to advance our human capital management, which has been a key focus, to drive growth in both our business and the development of our human resources

MORESCO has established a Human Resources Development Policy and a In-house Environment Development Policy as the basic approach of its human resources strategy. We will explain how we nurture the human resources that drive our growth and how we create value.

Hirofumi Fujimoto
CFO, Director,
Senior Executive Officer



Below are further details on our human resources strategy!

NEWS

Launch of inaugural MORESCO Group Integrated Report 2024

To date, we have regularly published financial information such as sales and profits, along with non-financial information like our approach to sustainability issues, through various reports and on our website. However, we have not yet fully communicated our approach to creating corporate value from a medium- to long-term perspective or our financial and non-financial initiatives. As such, we have published this integrated report to help you understand our values and the initiatives we are undertaking to contribute to realizing a sustainable society while hoping to raise your expectations for the future of MORESCO. We hope to use this as a platform to enhance our relationships with stakeholders, including our shareholders, and collaborate in addressing social challenges. This year, we are providing a broad overview of the Company's philosophy and business activities, but starting with the next issue, we will delve deeper into specific topics to more clearly communicate MORESCO's commitment to taking on challenges and evolving.



Kentaro Miyamoto
General Manager,
IR Department

Scan here for the integrated report



Background of the Establishment of the Human Resources Development Policy

With a diverse range of human resources now coming together, it is time to reaffirm our basic stance.

As an R&D-focused company, we have grown by harnessing the knowledge and expertise of each individual to deliver one-of-a-kind products to the world, with our people being the true foundation of our success.

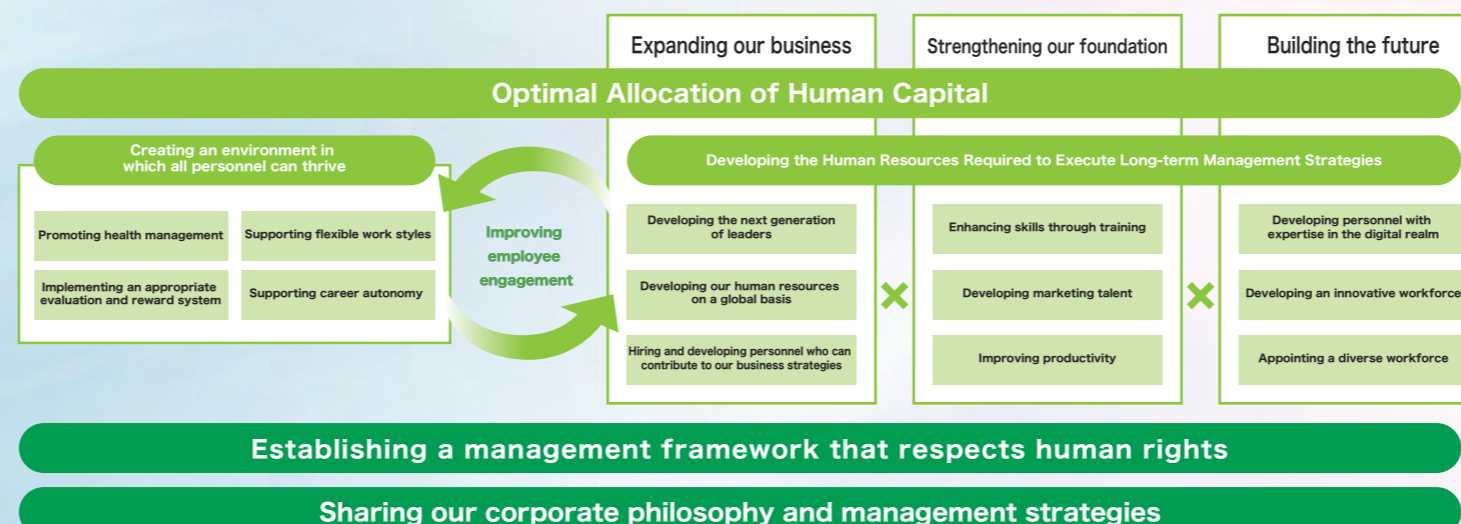
As our business expands globally and we evolve into an organization that attracts a diverse range of human resources, we have established a Human Resources Development Policy to ensure that our management philosophy of creating new value by fostering a working environment that respects an individual and a freewheeling thinking is effectively communicated to our employees and other stakeholders.

Approach to a In-house Environment Development Policy

A place where everyone can work with peace of mind and realize their potential.

We believe that for our human resources to fully realize their potential, it is essential to create an environment where they can work with ambition, improve their skills, and receive fair evaluation and compensation, all while maintaining physical and mental well-being and having a clear vision for their careers. To that end, we are continuously engaged in work style reform, and by also reviewing our business processes, we are creating a more productive workplace environment. We will continue to enhance our system so that everyone involved with MORESCO, including employees and those in the supply chain, can demonstrate their abilities and be fulfilled, regardless of age, gender, or life stage.

Creating value as a means of balancing our dual objectives of contributing to realization of a sustainable society and increasing our corporate value over the medium and long terms



Approach to Human Resources Development and Utilization

Utilizing human resources who specialize in interface science and also can enhance value through both our existing and new businesses as a driving force for growth.

For our company to continue creating value, developing human resources capable of leading MORESCO into the future through their work is crucial. We have identified four key mindsets we seek in our human resources: ability to empathize with and involve others, professionalism, willingness to continue to take on challenges, and freewheeling thinking. Our goal is to develop human resources who can redefine the Company's role in the world from a broader perspective.

Specifically, we are focusing on training specialists in interface science to enhance our research and development capabilities.

For example, in the R&D departments, we have what we call research group

activities that enable individuals to conduct research at their own discretion outside of their regular duties and across departmental boundaries. In this unpredictable modern age, we believe it is essential to cultivate both human resources and a corporate culture that embrace challenges in new fields with enthusiasm and initiative.

We will retain our focus on the development of human resources in our management efforts as we strive to become a company that can expand its current business and connect it to future business opportunities, continually delivering value.

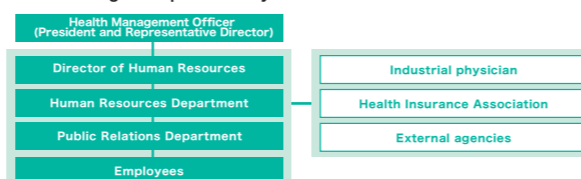
MORESCO Highlights of the Year

Mar. | Certified as a Health & Productivity Management Outstanding Organization 2024 (large enterprise category) for the fourth consecutive year

We have been recognized as a company practicing excellent health management in acknowledgment of our various initiatives related to promoting health and productivity management. We believe that the physical and mental health of our employees is crucial for the sustainable development of our company. In line with this belief, we will actively promote health management, viewing the enhancement of employee health as a vital management priority.



Health management promotion system



May | Participated in Spring 2024 Tribology Conference

We had a corporate booth at the Spring 2024 Tribology Conference in Tokyo, which was attended by 56 companies and around 900 people over three days. We were able to showcase a wide range of our products with a focus on lubricants for biomass ADE and ultra-high vacuum applications.



Jul. | Held a briefing for individual investors

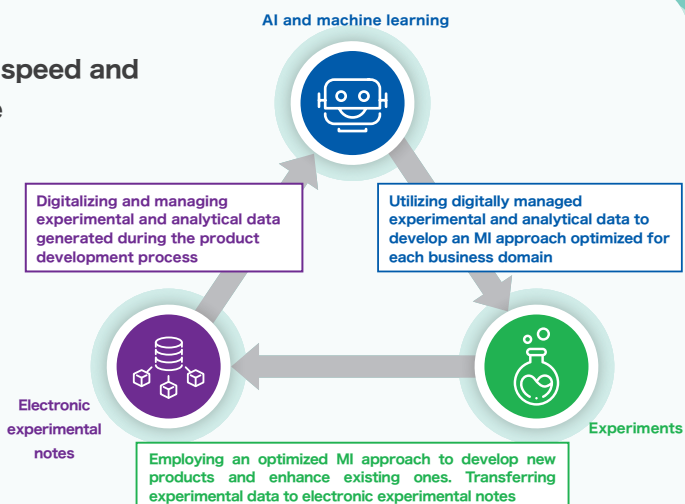
We held a company briefing for individual investors in Nagoya. We had 151 individual investors attend the meeting, during which we received questions and supportive comments about our business operations and performance.



Improving development capabilities by leveraging AI

Leveraging materials informatics to enhance the speed and accuracy of product development company-wide

In an industry that is changing at a dizzying pace, development reliant on individual efforts will struggle to respond quickly to demands and may fall behind. The issue with conventional research and development is that the experimental data from each individual tends to become a black box over time, leading to the vast amount of knowledge accumulated thus far not being effectively utilized across MORESCO. To address this, the Company is focusing on Materials Informatics (MI), where experimental data collected during the product development process is managed digitally and leveraged for new product development. We have prioritized implementing electronic experimental notes ahead of schedule, making it standard practice for experimental data from all development departments to be recorded in these notes. Starting in 2024, we have entered the phase of developing MI approaches optimized for each business domain. Specifically, staff in each development department utilize programming and machine learning software to develop products based on data analysis. We have already observed examples of more efficient product development, and we are experiencing a positive response to these improvements. We will continue to advance this project and refine our research and development capabilities to deliver high-value-added products to the world.



MOLGADC Project
Digital-related (D-pro)
Left to right
Yusuke Sueyoshi
Shinpei Konishi
Mamiko Fujii

Scan here for our
next-generation
business
creation initiatives



Creating a new business from Matsuken Co., Ltd.

Expanding our wastewater treatment business, which is experiencing growing demand, and developing new businesses leveraging our liquid concentration technology

As a company specializing in environmental business within the MORESCO Group, we offer products related to wastewater treatment (equipment and treatment agents) and cleaning (equipment and cleaning agents) that contribute to environmental conservation. In recent years, as environmental awareness has grown, more companies have sought to reduce the volume of waste liquid and wastewater generated by their factories. Our equipment, certified as MGS, can concentrate waste liquid and reduce the volume of wastewater by a factor of 10 to 20. It is being adopted by many companies aiming to contribute to environmental conservation while lowering their wastewater treatment costs. Currently, our primary customers are in the die-casting and metalworking industries. However, we are exploring opportunities to expand our customer base to include other sectors, such as printing manufacturers, and are also considering overseas expansion into Southeast Asia and other regions where Japanese companies are growing. We have also launched new businesses in entirely different fields that leverage our unique technology. For example, last year, we introduced a device to process and concentrate food waste and night soil at a bio-liquid fertilizer concentration facility in Maniwa City, Okayama Prefecture, as part of a recycling-oriented agriculture initiative. Not only will it reduce the volume of waste generated, but it will also produce a high-concentration bio-liquid fertilizer for farmers that is environmentally friendly. The trial operation of our equipment began in mid-September, and we plan to commence full operations around December. We have already received inquiries from other municipalities regarding our initiatives to contribute to environmental conservation and industrial development. We will expand our business domain by utilizing our environmental contribution technologies and explore new opportunities for the MORESCO Group.



Eijiro Oda
President and Representative Director,
Matsuken Co., Ltd.



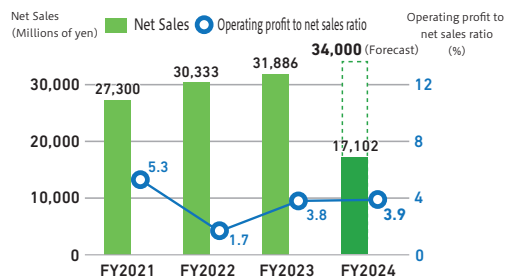
- ① Absorbing impurities with a centrifuge
- ② Concentrating liquid fertilizer using UF membrane equipment
- ③ Extracting necessary ions using electrodialysis

Major Consolidated Financial Indicators

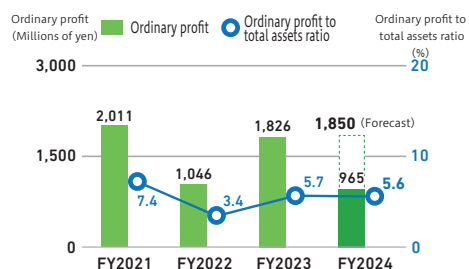
During the interim period, the Japanese economy has been on a gradual recovery path as efforts to normalize economic activity have progressed. However, prices have remained high, and the exchange rate has fluctuated significantly due to differing interest rate policies between Japan and the US. In the global economy, while there is a trend toward inflation, concerns about a recession in the US are increasing. In China, there is a persistent decline in prices and a slow recovery in consumption, contributing to uncertainties about the future.

In this context, the Group achieved sales of 17,102 million yen (up 11.2% year on year) and operating profit of 671 million yen (up 27.0% year on year) by boosting sales volume both in Japan and overseas while adjusting selling prices. Meanwhile, due to a decline in foreign exchange gains, ordinary profit was 965 million yen (up 3.4% year on year), while profit attributable to owners of the parent was 576 million yen (up 1.1% year on year).

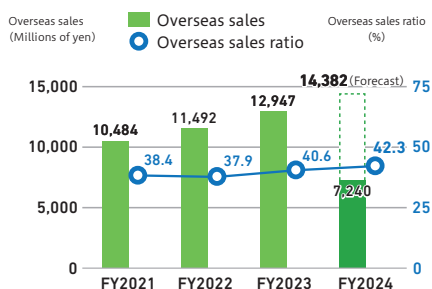
Net Sales and Operating Profit to Net Sales Ratio



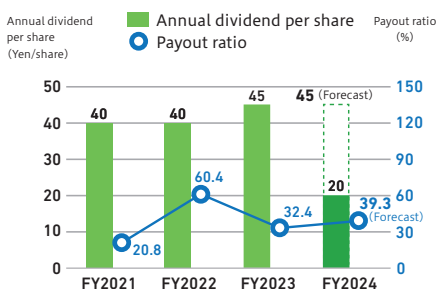
Ordinary Profit and Ordinary to Total Assets Ratio



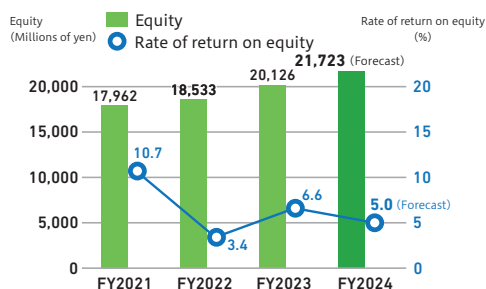
Overseas Sales and Overseas Sales Ratio



Annual Dividend per Share and Payout Ratio

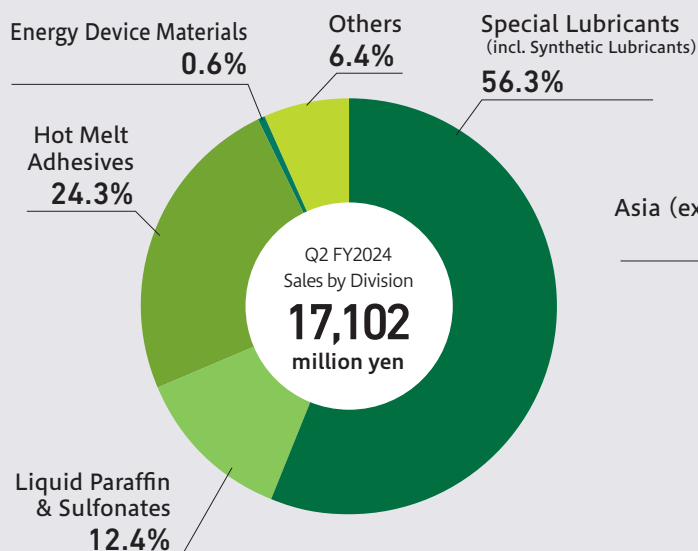


Equity and Rate of Return on Equity (ROE)

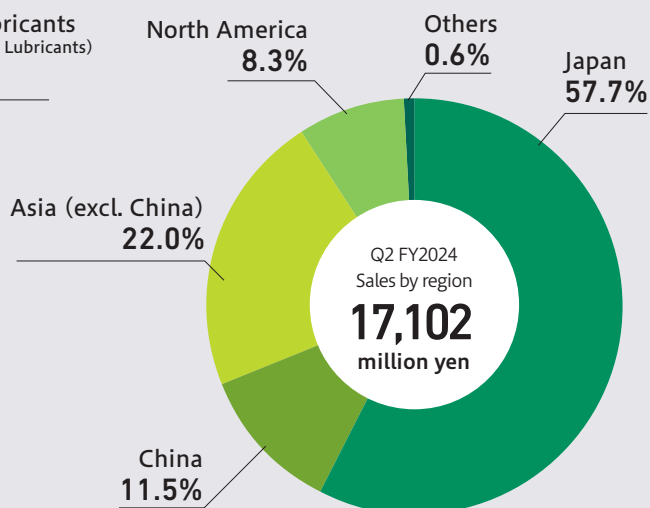


Segment Information

By Division



By Region



Information on Shareholder Benefits

We have established a shareholder benefit program to show our appreciation for our shareholders' support and enhance our company's appeal as an investment. This initiative aims to encourage more individual investors to hold onto our shares for the medium to long term. We hope for the continued support of shareholders as we do our utmost to strive for further growth to meet their expectations.

Shareholder Benefits

Number of shares held and continuous holding period	Shareholder Benefits
300 shares or more and less than 3 years of continuous ownership	QUO Card worth 3,000 yen
300 shares or more and 3 or more years of continuous holding period	QUO Card worth 4,000 yen

Benefits are available to shareholders who hold three units (300 shares) or more of the Company's stock and are listed or recorded in the shareholders' register as of the last day of February every year.

A continuous holding period of three years or longer is contingent on the same shareholder number being listed or recorded in the shareholders' register as of the last day of February and the last day of August seven or more times consecutively.

Should a shareholder holding fewer than 300 shares make an additional purchase so that their number of shares is 300 shares or more as of the last day of February, the period in which fewer than 300 shares were held will also be included in the continuous holding period.

Timing of Benefit Delivery

Benefits will be mailed in late May of each year, enclosed with the business report.

(How to confirm the length of time MORESCO shares have been held)

Shareholders who wish to confirm the holding period of their shares are asked to contact the following number and request a certificate of share transfer.

Contact information: Osaka Corporate Agency Division,
Mitsubishi UFJ Trust and Banking Corporation

Phone number: 0120-094-777 (toll free)

Hours: Weekdays 9:00-17:00,
excluding Saturdays, Sundays, national holidays, etc.

Company Profile and Stock Information (As of August 31, 2024)

Company Profile

Company name	MORESCO Corporation
Establishment	October 27, 1958
Capital	2,118,294,000 yen
Number of employees	384

Head Office and Business Offices

Head Office & R&D Center	5-5-3, Minatojimaminami-machi, Chuo-ku, Kobe-city, Hyogo 650-0047 Japan Telephone: 078-303-9010 (main contact number)
Branch	Tokyo Branch, Osaka Branch
Sales Office	Nagoya Sales Office
Plants	Chiba Plant, Akoh Plant

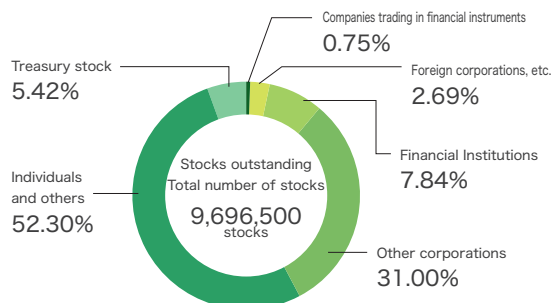
Directors

Motohisa Morozumi	CEO, Representative Director, President
Nobuhiro Sewaki	COO, Director, Senior Managing Executive Officer
Yasuo Sakane	CTO, Director, Managing Executive Officer
Hirofumi Fujimoto	CFO, Director, Senior Executive Officer
Jiro Hosomi	Director and Executive Officer
Hiroko Fuji	Outside Director
Mikio Honda	Director, Audit and Supervisory Committee Member
Kazuo Machigaki	Outside Director, Audit and Supervisory Committee Member
Mikio Nakajo	Outside Director, Audit and Supervisory Committee Member
Hidetoshi Nakatsuka	Outside Director, Audit and Supervisory Committee Member

Situation of Stock

Total number of authorized stocks	20,000,000
Total number of stocks outstanding	9,696,500
Number of shareholders	15,212

Distribution of Shares by Shareholder



Major Shareholders

Name of shareholders	Number of stocks	Investment ratio
Matsumura Oil Co., Ltd.	1,067,000	11.6%
COSMO OIL LUBRICANTS CO., LTD.	503,000	5.4%
MORESCO Employee Stock Ownership Plan	420,820	4.5%
Nippon Soda Co., Ltd.	365,000	3.9%
STARLITE Co., Ltd.	326,000	3.5%
Mizuho Bank, Ltd.	250,000	2.7%
MUFG Bank, Ltd.	250,000	2.7%
Osaka Small and Medium Business Investment & Consultation Co., Ltd.	209,600	2.2%
The Master Trust Bank of Japan, Ltd. (Trust Account)	201,900	2.2%
Shima Trading Co., LTD.	165,000	1.7%

Note: The investment ratio is computed by excluding 525,730 shares of treasury stock.

Shareholder Memo

Fiscal year

March 1 through the last day of February of the following year

Shareholder Fixed Date for Year-end Dividend Receipt

End of Feb.

(In the case of interim dividends)

August 31

Ordinary General Meeting of Shareholders

May every year

Administrator of shareholder registry and account management institution for special accounts

Mitsubishi UFJ Trust and Banking Corporation

Contact information

Mitsubishi UFJ Trust and Banking Corporation
Osaka Corporate Agency Division
3-6-3 Fushimi-cho, Chuo-ku, Osaka-shi,
Osaka 541-8502 Japan
Telephone: 0120-094-777 (toll free)

Listed Stock Exchanges

Tokyo Stock Exchange

Method of Public Notice

Public notice will be made electronically.

URL for public notice:

<https://www.moresco.co.jp/ir/notice.php>

(In the event of an accident or other unavoidable circumstances that preclude electronic public notice, public notice will be given in the Nihon Keizai Shimbun.)

Caveats

Regarding changes of address, purchase requests and any other such procedures, the basic rule is that shareholders are asked to contact the securities company or other organization where they opened their account. Note that the administrator of shareholder registry (Mitsubishi UFJ Trust and Banking Corporation) is unable to process such procedures.

For any procedures regarding shares recorded in special accounts, please contact Mitsubishi UFJ Trust and Banking Corporation, which is the management institution for special accounts. The Mitsubishi UFJ Trust and Banking Corporation head office and branches nationwide will also be able to assist with these procedures.

Dividends that have not yet been received will be paid at the Mitsubishi UFJ Trust and Banking Corporation head office and branches.