MORESCO

68th **2Q Business Report**

Mar. 1, 2025 - Aug. 31, 2025

CEO Interview

The way forward

Increased deployment of high value-added products to help achieve both environmental improvement and business growth

In the first half of the 68th fiscal year, net sales remained at the level of the previous year due to declining automobile production in global markets, while operating profit reached 142% that of the previous year. This was the result of stronger sales efforts for high value-added products, especially MORESCO Green SX (MGS) products, in domestic and international markets since the last fiscal year, as well as progress on cost reductions and other initiatives aimed at boosting profitability. We are also working on expanding initiatives such as recycling fire-resistant hydraulic fluids and promoting use of regenerated oils to globally contribute to the circular economy. In the Special Lubricants Division, while net sales of die casting lubricant decreased slightly due to reduced automobile production, the division acquired new customers for high vacuum pump oil and water soluble cutting fluids and achieved good sales of hard disk surface lubricants due to ongoing high investment in data centers, resulting in net sales that exceeded that of the previous year. In the Hot melt Adhesive Division, net sales were lower than that of previous year due to sluggish demand for use in sanitary wares and declining demand for filters in China. Going forward, we will consider revising our global production structure. In the Liquid Paraffin & Sulfonates Division, production efficiency improved through a new production line that enables control of liquid paraffin and sulfonate production volume based on demand. Polystyrene applications also performed well in the first half of the year, with net sales exceeding that of the previous year.

Efforts to build stronger global R&D systems have also begun to bear fruit. For example, product development is steadily being tailored to local demand in each country, such as developing die casting lubricants for gigacasting in electric vehicles (EVs) in China. In Japan, we launched sales of high-performance cosmetics utilizing our proprietary world-class ultra-fine nanoemulsion technology, which have already received high acclaim from users. Radiation-resistant lubricants are expected to be used not only in traditional applications such as accelerators and decommissioning work but also in nuclear fusion power generation and the space industry, where research is underway around the world, which is why we participate in a variety of research institutions and academic conferences. From the second half of the year onward, we will further accelerate sales of products with added value that not only offer environmental performance but also help customers' business growth through labor savings and cost reductions in order to achieve our 2030 targets of a 46% lower GHG emissions and a sales ratio of 50% MGS products. As an R&D-focused company, we will continue delivering products that exceed society's expectations while sharing trends and needs from different countries within the MORESCO Group.

MORESCO Corporation
Motohisa Morozumi
CEO, Representative Director, President

MORESCO Group Integrated Report 2025

R&D Outlook

MORESCO's Current Vision for R&D

In May of this year, Fukuda was appointed as the CTO, Director and Executive Officer, while Sakai was appointed as an Outside Director. Here, we present their aspirations as well as the current state of R&D at MORESCO.

Building even stronger R&D systems across the Company to advance existing businesses and create new businesses

Katsuhito Fukuda CTO, Director, Executive Officer

We believe MORESCO's strength lies in having many numerous products with a high market share in the area of interfaces between objects, particularly our ongoing creation of countless new businesses leveraging our interface science technology. As CTO, I am working to create an environment where researchers can engage freely in R&D and product development, being curious at all times to discover new technologies and ideas. We will also continue implementing research group activities as an initiative unique to the Company in which a certain percentage of work time is dedicated to areas of strong personal interest. At the same time, we will work to build stronger systems by placing the right people in the right position along with other measures, achieving results and accelerating R&D in order to accurately meet customer needs.

In existing businesses, we are proactively utilizing machine learning and other new digital tools to make designing formulas more efficient and simplify the process of assessing alternative materials. Through this, we aim to improve profitability by reducing costs and ensure competitive advantage by focusing on boosting product functionality.

In new businesses, we have focused on MOLGADC, a development project that promotes collaboration with external industry, academia, and government as well as internal cross-divisional collaboration in an effort to continuously provide new value to society. Collaboration with product development teams in each division is particularly vital for new business development, so we plan to further invigorate R&D meetings in which researchers share and discuss research results and technical information. In these R&D meetings, the state of R&D themes as well as the development and sales of new products are reviewed regularly, with projects launched or development teams formed as needed. We have also recently begun holding Global R&D meetings in which researchers from international locations participate, building stronger global R&D systems based on the state of international markets. We are also proactively considering partnerships and M&A with companies that have capabilities and technologies that the MORESCO Group does not possess to focus on creating new value utilizing external resources.

Going forward, we will continue building stronger R&D systems to boost corporate value and work to achieve faster, more efficient R&D.

Creating
Next-Generation Businesses

Pick up! MOLGADC Project

Here, we present some particularly promising research themes currently underway.

Producing Bio-Formic Acid From Biogas

In collaboration with the town of Okoppe in Hokkaido, The University of Osaka, and more, we are working to develop and commercialize technology that produces formic acid using biomethane in biogas as a raw material. Currently, we have installed a bench plant inside a biogas plant in Hokkaido and are conducting research for implementation. Using the bio-formic acid we produce to create lubricants, polymers, and more, we aim to develop core technology that helps achieve carbon negative.

Hokko Biogas Plant

Commercializing Nanoemulsion Technology

We have developed Irigracia, an original cosmetics brand, leveraging our proprietary nanoemulsion technology that enables the creation of extremely small emulsified particles of 18 nm or smaller. We launched online sales of toner and serum in FY2025. This promising technology can also be applied to other skincare products such as sunscreen as well as drug delivery systems.

Bridging technology and management for further growth at MORESCO

Hiroshi Sakai Outside Director

I had connections to the MORESCO Group both as a user of hard disk surface lubricants and through regular technical exchange meetings and found that their technology-oriented corporate structure resonated with me. In particular, I believe management's declaration of being an "R&D-focused company" and commitment to achieving results, such as developing MORESCO Green SX products, is vital to boosting researcher motivation, accelerating decision-making, and communicating the Company's strengths to stakeholders.

Meanwhile, I believe further growth for MORESCO requires a broader stage to demonstrate the Company's high level of development and technical capacity and recognize that a major role of mine is to help build external networks for this purpose. This is because the rapid changes in corporate business and needs on a global scale combined with technological innovation has rendered a market-out approach of going beyond conventional markets to enter different industries and of developing and launching products that meet latent customers needs more important than ever.

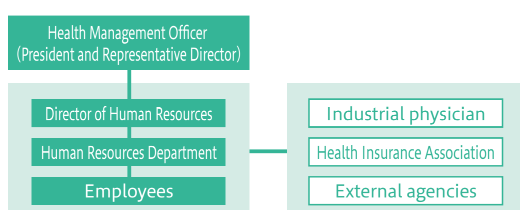
We will identify what products and technology the world needs now and how MORESCO can help address those needs, seeking out partners and new customers while working to build new frameworks that boost and spread our appeal as an R&D-focused company.

MORESCO Highlights of the Year

Mar. | Certified as a Health & Productivity Management Outstanding Organization 2025 (large enterprise category) for the fifth 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 for five consecutive years. We will continue putting even greater effort into promoting the health of employees and their families in an effort to create a workplace where all employees are able to thrive and demonstrate their full potential.

Health management promotion system



May | First exhibit at SUBCON Thailand 2025

We exhibited a booth for the first time at SUBCON Thailand, showcasing grinding fluids for cemented carbide, minimal application die casting lubricant, and more. The venue drew many visitors and offered many opportunities for networking between exhibitors and business matching for EV parts.

May | Exhibit at the 12th Cosmetic Ingredients Exhibition Japan (CITE JAPAN 2025)

We exhibited nanoemulsion cosmetics ingredients at CITE JAPAN 2025. At the exhibitor technical presentation, we presented technology for improving the functionality of nanoemulsion for skin absorption, UV protection, and more.

Finance Now

Financial Strategy to Accelerate Growth

We employ ROIC (Return on Invested Capital) principles in management to ensure awareness of profitability and capital efficiency reaches every level of operations

The MORESCO Group promotes ROIC (Return on Invested Capital) principles in its management. Since last fiscal year, each division has begun creating ROIC trees for its businesses, mapping initiatives at every level of operations to the ROIC trees as KPIs, and managing targets. This fiscal year, we will further increase the accuracy to improve ROIC and other financial metrics. For cash allocation, we have maintained an R&D ratio (ratio of R&D expenses to sales) of approximately 4–5% to date and plan to maintain this ratio going forward. In the second half of the year, capital investment in the R&D Center No. 2 (tentative name) acquired last fiscal year is expected to start in earnest. We will continue building even stronger R&D systems, the strength of the MORESCO Group. In this way, we will execute financial strategy and boost corporate value this fiscal year through investment in growth that allows us to demonstrate our R&D capacity, financial support based on review of work processes, and collaboration on the seven material issues, all by connecting financial KPIs identified through the ROIC trees with initiatives at work sites.

R&D Ratio (Ratio of R&D Expenses to Sales)

(Millions of yen)	FY2021/02	FY2022/02	FY2023/02	FY2024/02	FY2025/02
R&D expenses	1,360	1,359	1,246	1,321	1,599
Net Sales	24,479	27,300	30,333	31,886	34,374
R&D ratio (ratio of R&D expenses to sales)	5.6%	5.0%	4.1%	4.1%	4.7%

ROIC Trees

ROIC		ROIC improvement drivers	KPI 1	KPI 2	Lead departments
ROIC	Operating profit margin	Sales growth	Boost existing markets (customers)	Grow sales of MGS products through top share marketing	Sales/R&D
			Develop new markets (customers)	Develop new products and promote sales in Japan and abroad	Sales/R&D
			Increase production capacity for core products	Develop production processes leveraging proprietary knowledge	R&D
		Thorough cost management	Diversify raw material suppliers	Recycle and reuse	R&D/Production
			Improve operating rate of production equipment	Promote product consolidation	Sales
				Reduce downtime	Production
		Reduce SG&A expenses	Streamline corporate department	Utilize DX	Corporate
	Invested capital turnover ratio	Improve working capital turnover ratio	Thorough CCC (cash conversion cycle) management	Collect accounts receivable as soon as possible	Corporate
			Proper inventory asset management	Shorten lead times (thorough forecast management)	Sales/Production

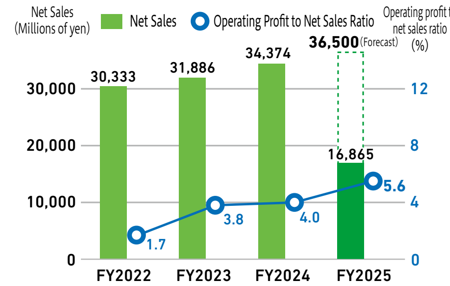
Lead departments also manage individual leading indicators to achieve KPI2. Creating and operating ROIC trees has helped identify the connection between employees' routine work and ROIC metrics. Greater awareness of management metrics focused on the balance sheet has also been observed, which we anticipate will improve return on capital.

Major Consolidated Financial Indicators

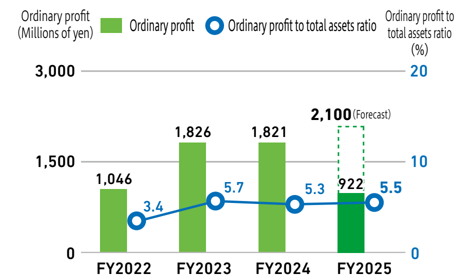
During the interim period, the Japanese economy remained stable, as the signing of tariff negotiations with the U.S. mitigated uncertainty. Meanwhile, higher U.S. tariffs have placed pressure on corporate profits in the manufacturing sector. In the global economy, there are concerns about the negative impact of U.S. tariff policy, the sluggish Chinese economy, and rising resource prices due to the war in Ukraine and instability in the Middle East, and the economic outlook is expected to remain uncertain.

Under these circumstances, while net sales for the MORESCO Group were 16,865 million yen (down 1.4% year on year) due to factors such as declining automobile production in Japan and abroad, operating profit was 949 million yen (up 41.5% year on year) through price adjustments and control of selling, general and administrative expenses. Meanwhile, ordinary profit was 922 million yen (down 4.5% year on year) due to foreign exchange losses, and profit attributable to owners of parent was 506 million yen (down 12.1% year on year).

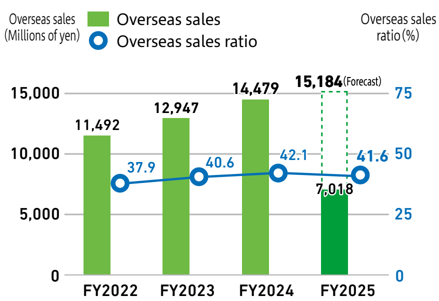
Net Sales and Operating Profit to Net Sales Ratio



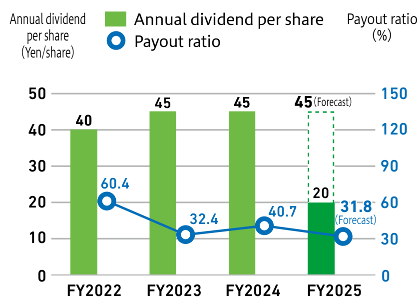
Ordinary Profit and Ordinary to Total Assets Ratio



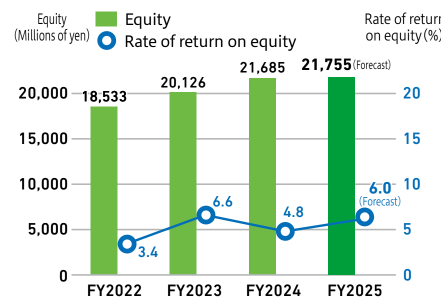
Overseas Sales and Overseas Sales Ratio



Annual Dividend per Share and Payout Ratio

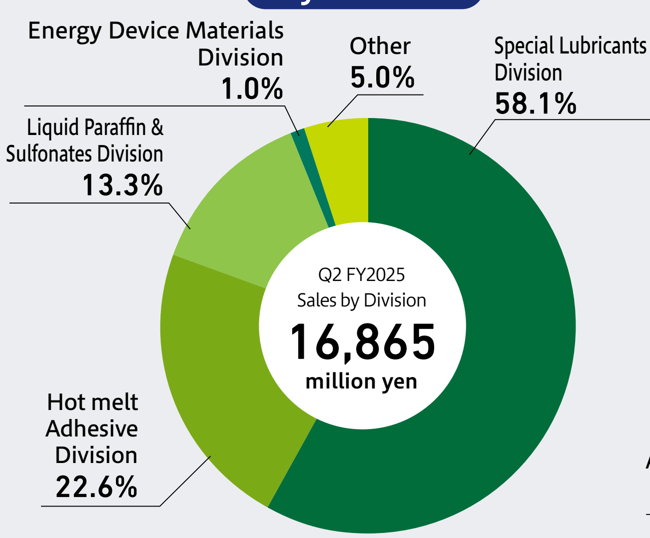


Equity and Rate of Return on Equity (ROE)

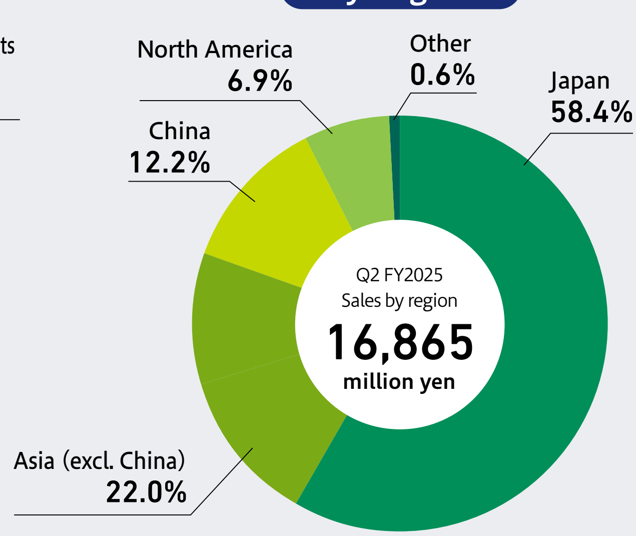


Segment Information

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, 2025)

■Company Profile

Company name	MORESCO Corporation
Establishment	October 27, 1958
Capital	2,118,294,000 yen
Number of employees	376

■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

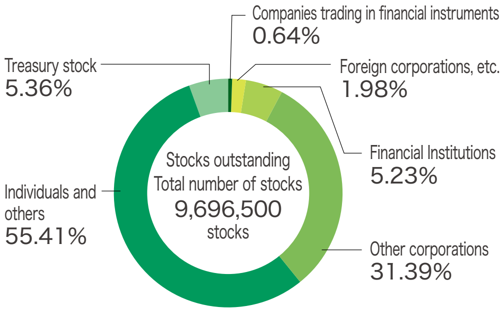
■Directors

Motohisa Morozumi	CEO, Representative Director, President
Nobuhiro Sewaki	COO, Director, Senior Managing Executive Officer
Hirofumi Fujimoto	CFO, Director, Managing Executive Officer, Sustainability
Jiro Hosomi	Director, Executive Officer, Global Operations
Katsuhito Fukuda	CTO, Director, Executive Officer
Hiroshi Sakai	Outside Director
Mikio Honda	Director, Full-time Audit and Supervisory Committee Member
Mikio Nakajo	Outside Director, Audit and Supervisory Committee Member
Hidetoshi Nakatsuka	Outside Director, Audit and Supervisory Committee Member
Hiroko Fuji	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: 15,735

■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	209,600	2.2%
Shima Trading Co., LTD.	165,000	1.7%
KYODO YUSHI CO., LTD.	164,000	1.7%

Note: The investment ratio is computed by excluding 519,320 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.